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# THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS OF  
THE BRITISH COMMONWEALTH

SEA

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CANADA; AUSTRALIA; NEW ZEALAND;  
SOUTH AFRICA; GREAT BRITAIN

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## THE KING AND HIS PEOPLES

THE coronation is over. Not only in the Abbey, but throughout the Empire, enthusiastic crowds hailed their "undoubted King". The historic formula of the Recognition has never rung more true at a King's coronation. King George VI ascended his throne, in unparalleled circumstances, by the heart-rending but deliberate choice of the whole British Commonwealth of Nations. There has been no uprush of republicanism. The modern kingly tradition has, if anything, grown more precious to us because it had seemed, for a little, to be in peril. The memory of that sharp December week of testing did not mar the "willingness and joy" of the people's acclamation. Nevertheless, because of that memory many minds have brought to the coronation ceremonies, not only emotional fervour, but also appraising reflection. We have thought of kingship as well as of the King. We have not quite taken it all for granted; we have asked ourselves in concrete and unaccustomed ways what the King should be and should do under the conditions of to-day.

Because of recent memories, again, men and women everywhere have given more than a passing thought to the nature and meaning of the coronation observances. The ceremonies have been more than a mere exciting and memorable pageant, at which men stand as spectators: they have been in a real sense a sacramental act in which the whole people joined. Indeed, so far have people been from heedlessness that many have fallen into an opposite error, and have attributed to the coronation an even juridical significance, which it does not in truth possess. Both the King's title and his powers are derived at last

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entirely from the law, and to neither does the coronation add anything. Uncrowned, our monarch is every inch a lawful king. His coronation validates and authorises nothing. In the great dramatic act of the coronation ritual, however, the spiritual ties between the King and his peoples are drawn closer, because they become more consciously apprehended. Thus the significance of the coronation is religious and symbolic, not juridical. In the most solemn sacrament of the Christian Church, the King consecrates his kingship; his peoples, by their representatives assembled, consecrate their loyalty in the ancient act of homage.

### I. PAGEANTRY AND EMPIRE

THE coronation of a king and queen, with its wealth of historic symbol, is the greatest, as it is the most significant, of the ceremonies of monarchy. It comes as a fitting climax to the recent series of royal pageants which have stimulated, without surfeiting, the imagination of the Empire. Even the economic importance of such celebrations is not inconsiderable; but the political effect of the pageants, joyous or solemn, of the past three years can scarcely be over-estimated. A great empire, no doubt, does not live by pageantry alone. Without pageantry, however, it could scarcely live at all. So at any rate Cromwell appears to have found, so at any rate the elaborately organised stagecraft of twentieth-century dictators most eloquently proclaims. That the British taxpayer should without complaint meet the cost of all the elaborate preparation and the wide-flung generous hospitality of this coronation is an indication, not of avidity for entertainment, but of sure political instinct and a wide imperial vision. To have given the visitors from overseas a position of special favour, by comparison with those who live in the United Kingdom, is an expression of the mother-spirit that will not be without its effect upon the generation that has experienced it. To-day, what is more, scientific

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inventions have immeasurably enlarged the area within which the effect of any great public ceremonial is felt. The low-priced illustrated newspapers, and still more the cinema and the radio, have enabled literally millions of the King's subjects, at the very ends of the earth though they may be, to share at something uncommonly like first-hand in the thrill of even the greatest occasions of state.

In the century that has elapsed since Queen Victoria came to the throne there has been a rapid evaporation of the feudal spirit the world over, not least in Great Britain and the overseas Dominions. But during that hundred years the prestige of British monarchy has grown absolutely as well as relatively, as the Sovereign has come into contact with an ever-increasing proportion of the people. In the magnificent pageantry of the coronation of King George VI and Queen Elizabeth, monarchy has entered every town and village, almost every home. Such popularity has its exacting side. Under the conditions of to-day the royal family are the most public of all public personages, and scarcely the most personal of their personal affairs are a matter of public indifference. Here, too, the change that has taken place in a century is vast. Six months of a George IV, under contemporary conditions, would probably discredit the monarchy beyond preservation. But the jealous popularity of to-day has its inspiring side as well. A commonwealth of peoples whose only legal link is their king is an audacious political experiment. For the success of that experiment, it is of incalculable importance that science has made the King visible, audible, personal, to his peoples. In the pageantry that centres upon the Crown, the very spirit of Empire lives.

### II. THE KING'S PEOPLES

**T**URNING from the King to the peoples at whose head he is set, the changes witnessed by the past hundred years are again dramatic. In 1837, the Second British

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Empire indeed existed, the result of half-a-century of conquest mainly at French expense. But it was an empire of tiny settlements, and it was an empire without vision. At the accession of Queen Victoria, Canada was the only considerable white settlement overseas that appeared to have any prospects. In Australia, settlement outside Sydney and its environs was still in its precarious beginnings. In New Zealand the Maori wars were still being fought. Cape Colony and Natal had just witnessed the Great Trek; Africa as a whole was unappropriated; India was still in the hands of John Company. The whole empire was one fiscal unit, and the constitutional system throughout was based on central control. When, in her coronation oath, Queen Victoria promised to govern according to law and custom "this Kingdom of England and the dominions thereto belonging", the formula which had been prescribed for William and Mary still reflected perfectly the character of her empire. Paralysed by the wars and by economic crises, the governing classes of Great Britain had invented no new technique of colonial administration since the collapse of the First Empire. In the first year of the young Queen's reign the old colonial system had, in Canada, again brought a free European population to the point of revolt. Ominously enough, the Patriotic Association in New South Wales threatened to follow its example.

The first great wave of nineteenth-century English liberalism luckily reached the Colonial Office just in time. Presented in 1839, the Durham Report adumbrated a new doctrine of responsible government for the colonies, a doctrine upon which the Third Empire was founded, and which proved flexible enough to make possible a rapid and unparalleled imperial expansion. Colonies became Dominions, and the Dominions took their place among the nations. Autonomy swiftly replaced central control, the co-operation of equals replaced the exercise of authority by Great Britain—a development aptly symbolised by the

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use of the new term "British Commonwealth of Nations", instead of the traditional "British Empire". Though the United Kingdom retained its primacy of wealth, power, and prestige, that primacy was now a matter of "stature", not "status", in relation at least to Canada, Australia, New Zealand, South Africa, and the Irish Free State. After ten years of imperial constitution-making, it was not surprising that for King George VI the ancient coronation oath was revised. What His Majesty was required to swear was to govern

the peoples of Great Britain, Ireland, Canada, Australia, New Zealand, and the Union of South Africa, of your possessions and the other territories to any of them belonging or pertaining, and of your Empire of India, according to their respective laws and customs.

In these words is unobtrusively epitomised a great chapter in imperial constitutional history. As other links of empire have been removed, attention has more and more been concentrated upon the Crown, as the point of unity in diversity, the symbol of that free association which is the essence of the Commonwealth. In the new coronation oath, Dominion status is expressed in personal terms. "British possessions" have become "the King's peoples". Nor indeed is the evolution by any means complete. The new special reference to India is no doubt suggestive of that far-seeing attempt, now in full progress, to make over the *quondam* empire of the Moguls in the image of British parliamentary democracy. There may be other candidates for Dominion status as time goes on—other communities emerging from the older category of "British possessions" into the happy circle of "the King's peoples".

### III. A MULTIPLE KINGSHIP

THE political evolution of the King's peoples has produced accompanying and remarkable changes in the King's own legal relation to them.

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The Statute of Westminster brought the Act of Settlement within the ambit of Dominion legislative powers, and the Imperial and Dominion legislation concerning the succession last December was so drafted as to make it clear that in the Free State at any rate, and perhaps in the Union too, the statutory title of King George VI rests solely upon Dominion law. This fact puts an end to the controversies about what is (rather misleadingly) spoken of as "the divisibility of the Crown". Indeed, as the legislation worked out, it chanced that for a day or two Edward VIII was King in some parts of the Empire and George VI in others, and allegiance was temporarily due to two different Sovereigns. But this was only a temporary episode, with no permanent political significance. The common allegiance to the Crown, in which historically the unity of the Empire is expressed, would obviously be at an end if the succession of the centuries through one Sovereign were broken. In order to avoid chaos and the disruption of the Commonwealth, it was agreed in 1931, and the agreement was recorded in the preamble of the Statute of Westminster, that alterations of the succession should not be made otherwise than by agreement among all the members of the Commonwealth. At the abdication of King Edward VIII, this convention was faithfully observed.\* The episode did make clear beyond doubt the multiple capacity in which the King now acts. But it also expressed and emphasised the will to unity of the whole Commonwealth. With the single alteration necessitated by the abdication of King Edward VIII, the throne descended, without question or difference of opinion, as determined in 1701.

Reverence for the heritage of the past, pride in the achievements of the unitary Empire of the nineteenth century—neither requires us to look to the future with misgiving. The Third British Empire closely resembled the conditions for which liberal American opinion before the

\* See THE ROUND TABLE, No. 106, March 1937, pp. 247-257.

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Revolution had pleaded in vain. The post-Statute-of-Westminster Empire seems to go farther back still into history, and to resemble most nearly, in some of its aspects at least, the state of affairs that existed in the seventeenth century, when England and Scotland were united under the Stuart kings. This relation is usually spoken of, rather slightly, as a "mere personal union", and certainly the history of Anglo-Scottish relations in the seventeenth century does not afford a very encouraging precedent. But the analogy, happily, breaks down. England and Scotland had had no experience of mutual forbearance and co-operation—indeed, quite the reverse; communications were poor and there were no institutions for securing common action; because the union was a new thing the Crown had no tradition as the symbol of the association of the two countries; and, in fact, the King through whose person they were linked turned out to be an element of discord, not a point of unity.

By contrast, the British Commonwealth of Nations presents all the conditions for a different and happier fate. Nevertheless, the seventeenth-century history of the Anglo-Scottish union has at least a twofold significance for the present. First, the essential thing in maintaining the vitality of any "free association" is to foster in all its members a clear vision of the common purposes for which the unity of the association is desirable and desired—common purposes which will embrace both ends and means. The Imperial Conference now in session will serve the future well if it concentrates on such things, and is able to formulate for the nations of the Commonwealth something of their collective function in the world. Secondly, the unhappy Anglo-Scottish story of the Stuarts throws up into sharp relief the importance to the King's peoples of the King's person and character. The importance of the integrity of the Crown to-day is truly, as Mr. Baldwin reminded the nation last December, "beyond all question far greater than it has ever been". The dissolution of the



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older legal links of Empire throws greater emphasis than ever before on the surviving personal link, the King.

### IV. THE RÔLE OF KINGSHIP

**E**XACTLY what is it, then, that the King's peoples expect him to do to-day? What is the King's rôle in the post-war democracies of the British Commonwealth? Over a large portion of the field, an answer can be given that would command very general agreement, but one vital matter is still in some controversy. Confident statement either way is very difficult; for although precedent may be a most dangerous guide, we are in the sphere not of formulated law but of usage and convention, in which precedent is the obvious basis of inference. The general tendency of the monarchy since the revolution of 1688 is plain enough: it is uniformly in the direction of eliminating from government the personal will of the Sovereign, and substituting for it an official will, determined by a Ministry responsible through the House of Commons to the people. So far so good. Everyone agrees. But exactly how far has the process now gone? One after another of the ancient prerogatives has become subject, by law or by convention, to the rule that it will be exercised only upon the advice of Ministers. But are there now any "personal" prerogatives left—any powers that the King is entitled to exercise in his own personal discretion, according to his own personal view of what the country needs, even despite the advice of his Ministers? So far as concerns the ordinary events of politics, it is agreed that there are none; that the King is in the normal course expected to reign, not to govern or rule; that he may influence and discuss, advise and even delay, but in the end not personally decide: the responsibility for actual decision will lie with his Ministers. Indeed, it is a pity, in the more politically advanced communities of the Empire at any rate, that the language habitually used about monarchy on public



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occasions is drawn so extensively from the sixteenth century. In the normal course of politics, personal rule is obsolete, and it is to misconceive loyalty to go on speaking of a twentieth-century monarch as though he were King Henry VIII.

At this point, however, agreement ends. Conservative constitutional observers insist that in great emergencies the "reserve" powers of the King may be invoked, and that to save the constitution, or to give effect to the will of the nation as against that of the Ministry or even the House of Commons of the day, the King may act in his own discretion. This may be called the "safety-valve" theory of monarchy. In 1913, for example, Unionist leaders such as Balfour and Bonar Law, supported by constitutional lawyers of the weight of Anson and Dicey, contended that it was the King's right and duty, in the circumstances that prevailed, to force a dissolution of Parliament in order to test the opinion of the country in relation to the Liberal Government's Irish policy. The issues, from the Conservative point of view, have been well put thus :

The personal responsibility would be terrible, the risk to the prestige of the Throne incalculable, but might it not be right to face that risk rather than the calamity of a mutinous army and a war between citizens ? \*

Similarly the dismissal of his Ministers by the Governor of New South Wales in 1932 was widely applauded as being the only course that could have avoided civil disturbance in the state.

Radical thinkers, on the other hand, incline generally to the view that the convention that in the last resort the King must accept Ministerial advice has now become universal, and that under no circumstances should the monarchy be regarded as an independent source of political authority.

Without attempting any dogmatic resolution of these disputed issues, one may assert one or two uncontroverted points. In the first place, the usages of the constitution

\* John Buchan's *The King's Grace* (1935), p. 77.

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have moved in the last generation still farther in the direction of emphasising the non-partisan character of the Crown, and of removing to the farthest confines of politics the occasions for any possible personal intervention by the King. A Sovereign to-day who took the letters of Queen Victoria as his constitutional guide would very frequently find himself confronted with political crises. Even the most recent precedents must be scrutinised jealously. In the second place, illustrations drawn from Dominion experience may suggest false analogies. In the Dominions the representative of the Crown holds his office for a short period only, and is easily removed at any time. An error of judgment in a crisis has consequences far less serious to his office than would be the case with the King in the United Kingdom, where the attempt to dissociate the office of King from the person of the occupant for the time being is much more difficult, and where a false step by the individual on some great occasion may have consequences of indefinite duration.

In the third place, the attribution to the King of a personal discretion to be used in great emergencies postulates in the wearer of the Crown exceptional qualities of penetrative analysis, objectivity, firmness, and level judgment. Hereditary succession has manifold advantages, not least that the future Sovereign may undergo from early childhood a training appropriate for his eventual task. The Empire was fortunate beyond estimate in having, during the long reign of George V, a King whose temperament, character, ability, and judgment were well proportioned to meet critical situations. But there can be no guarantee of the invariable maintenance of such qualities. Not every King or Queen is tempered after the same fashion, or is equally fitted to interpret, when passions run high, the long-term will of the nation. To give effect to the will of the people must in the last analysis be the object of all political power; that is the fundamental principle of political democracy.

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From this area of disputed authority, however, we may profitably turn to the agreed functions of kingship. Indeed we have dwelt at such length upon the points of controversy only because in the minds of many the continued survival of a personal authority in the monarch would threaten his position even within what may be called the area of complete agreement. For the supreme function of kingship to-day is to personify the nation, as distinct from any one party or any one class. To do this is rendered far easier by the immense longevity and continuity of the British monarchy. No party, no parliament, created the kingship. It comes down to us from our dim beginnings and, with the one seventeenth-century exception, our political contests have assumed the existence of the monarchy and decided merely the conditions under which the kingly office should descend and be exercised.

The representative function of kingship becomes both more difficult and more significant with the emergence of class-conscious politics, and with the threat to political democracy as a system of government that comes from the dictatorships in the one-party state. The King personifies a wider loyalty, within which political disputes may lose some of their bitterness, and even the extreme partisan display something of forbearance and the spirit of accommodation. This aspect of kingship has been eloquently stated by the present Governor-General of Canada.\*

The King is of no class, being above classes; he is as much akin to the worker in the mine and to the labourer in the field as to the highest nobility. He can have no party bias, for his only bias is towards the whole people. He cannot initiate policies, though he creates the atmosphere that makes policies feasible. . . . Pinnacled above all, he is yet closer to the national consciousness than even the most famous Minister. His duty is not to act but to *be*, to represent the ultimate sanctities of the land which endure behind passing fevers and bewilderments. . . . [The monarchy] is the mystical indivisible centre of national union. It is the point around which coheres the nation's sense

\* *The King's Grace*, pp. 12 and 13.

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of a continuing personality . . . the symbol of their past achievement and their future hope.

So long as the King fulfils these functions it would be hard indeed for party-worship and führer-worship to take firm root. "The importance of the integrity of the British monarchy," said Mr. Baldwin in the speech already quoted, "is, beyond all question, greater than it has ever been, being, as it is, not only the last link of empire that is left, but the guarantee in this country, as long as it exists in that integrity, against many evils that have affected and afflicted other countries". In more direct language, the kingship is one of the most potent influences to-day for the preservation of political democracy in each of the countries of the Commonwealth. Of course, in order to discharge these high functions, the King must possess the affection and respect of all classes. Just because he is the king of the whole people, it is peculiarly important that the King, in his own character and life, should represent and personify the moral tradition which his peoples, throughout the Commonwealth, have inherited as a vital part of their common culture.

This representative character of the King's office is the key also to his function in relation to the peoples of the Commonwealth as a whole. Here, too, as within each of his communities separately, he represents, personifies, symbolises, in his own person makes visible, real and comprehensible, the whole as against the parts. Though between the nations of the Commonwealth almost all the questions are at issue that vex international life generally, nevertheless in their loyalty to the one King these nations are united. The King is king of each of his peoples: but he is also king of them all. By his very existence, he makes it easier for his subjects everywhere to see their own nation against the august background of a wider international community, to which also their loyalty is due. In a world disintegrated by the claims of nationality, this kingship—older than even the Parliament at Westminster—

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is the last surviving, but the still continuing, organ of a unity that transcends nationality and is deeper than any alliance.

Throughout the whole of the Commonwealth, the doings of the King and Queen and the royal family are "news", read and discussed with keen personal interest. Stories of the visits of members of the royal family to a Dominion are treasured and have a brisk currency. Indeed for very many plain citizens the King and his family are the real and only centre of their active interest and pride in the Empire. The King has also his personal representatives in the Dominions, and by fulfilling the same kind of function as His Majesty a popular Governor-General or Governor can do much to express the spirit of the whole imperial community. But, as things are, the King's representatives will probably do this less and less, and in any case their office can never have anything approaching the glamour of royalty itself. The Empire must rely more and more upon the King's own person. Nor is it easy to imagine any head of the state in Great Britain, other than a king, who could satisfactorily unite the whole Commonwealth in his person. Someone nominated by the political party in office in Great Britain for the time being, someone elected by popular vote in Great Britain—call him by whatever title, give him whatever legal status, and invest him with whatever dignity—could not symbolise the whole Commonwealth, and could represent Great Britain alone.

In describing the King's function in relation to his peoples individually and collectively, we have spoken frequently of "the whole Commonwealth". There is, however, a correction to be made. What has been written has not at all accurately described the King's present relation to his people of Ireland; to be precise, to his people of the Irish Free State. That relation, as modified by the nationality enactment of 1935, by the constitutional amendments and by the succession legislation of December last, was summed up in the last number of

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THE ROUND TABLE \* with "the Irish republican kingdom" for rubric. The new Irish constitution,† published at the beginning of May, does not seem to make that description inappropriate. In general, it may be said that nobody in the rest of the Commonwealth would wish to insist on strict compliance with the constitutional forms customary in the other Dominions as the price of the Free State's membership of this free association of equal nations. There are some constitutional novelties in the new documents, to be sure; but flexibility and adaptability in constitutional forms have been among the characteristics of the British peoples throughout their history. Not conformity in the formalities, but co-operation in the things that matter, is the real test of membership in the British Commonwealth of Nations. If the Free State severs its association with the rest of us, it will be by its own act alone.

### V. LINES OF DEVELOPMENT

IF the King is to be able effectively to discharge the vital representative functions that his office has come to require, his life and work must be reviewed in relation to the demands that his peoples make upon him. On the one hand the strain of his task—physical, mental, and emotional—threatens to become intolerable. On the other hand, he will need to come into closer touch with his peoples outside the United Kingdom. Some revision will probably be necessary all round.

In connection with the coronation, one useful piece of revision has already been carried out, which makes clear the existing position, and at the same time removes misunderstandings. There are said to be some twenty millions of Roman Catholics among the King's subjects, mainly outside the United Kingdom. In a few communities they are in the great majority, in many more they form a substantial and fairly coherent minority. Roman Catholics will

\* No. 106, March 1937, pp. 348-356.

† See below, p. 588.



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generally agree that the maintenance of the Protestant succession is a reasonable principle. But the terms in which ever since 1689 the coronation oath has been framed have suggested to many of them a sectarian bias: an impression sharpened by memories of George III's fantastic scruples. The King has hitherto been asked: "Will you, to the utmost of your power, maintain the Protestant reformed religion established by law?" Now there is no religion "established by law" outside England and Scotland. For the coronation of King George VI the oath was accordingly amended so that the King's promise was simply "to maintain *in the United Kingdom*" the established Protestant religion—episcopal in England and presbyterian in Scotland. Thus expressed, the oath has clearly no relation at all to the oversea Dominions, as the Prime Minister of Australia—himself a Roman Catholic—explained. In the United Kingdom itself, the King's pledge is indeed a part of his representative character, and his personal religious connection is no bar to the fullest loyalty in any part of the Commonwealth.

To bring the King into closer touch with the life of his peoples in the Dominions clearly requires some provision for royal visits overseas. Only the tiniest proportion of the inhabitants of the Dominions can expect to visit the Mother Country themselves. Broadcasts, indeed, may do something to bring His Majesty into personal touch with his subjects abroad: the Empire's response to the messages of King George V showed that. But the eye is at least as important politically as the ear. Nobody who has marked the effect upon imperial sentiment of the visits of royal princes in the present century can doubt the immense value of visits from a reigning Sovereign. It may be recalled that only once in this century has any part of the overseas Empire been visited by a king in office—on the occasion of the coronation durbar at Delhi in 1911. The strain of oversea travelling, in the conditions that almost inevitably apply to royalty, is very heavy, and what is

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possible would necessarily vary as between one Sovereign and another. A beginning might be made, however, at intervals of perhaps a couple of years, with a visit to one Dominion at a time. The strain of such journeys could be sensibly lessened by the provision of more suitable accommodation. If a warship is essential, for reasons of speed, of tradition, and of ceremonial dignity, it could at least be set aside as a royal vessel, and suitably reconditioned amidsthips, with good provision for offices and a civil staff.

In the Dominion itself, what is suggested here is that the visit should be not so much a sight-seeing tour as a temporary resumption, in person, of the governmental functions ordinarily performed in the Dominion by His Majesty's representatives. (Only the constitution of the Union, it may be remarked, already provides for such a contingency.) The King could, perhaps, open a Parliament (or Parliaments), and in general would carry out the same kind of duties as he performs when he is in the United Kingdom. There would, of course, be some frantic local jealousies at the inevitable omissions from such a programme; but they would be insignificant on any long view.

Such visits would of course require a great reduction of the burden of kingship in the United Kingdom. There would have to be some easily-worked provision for the discharge of the King's United Kingdom functions by deputy during his absences. A review of the position is in any case essential, for the burden of the King's official duties as the head of the Government in the United Kingdom has become almost insupportable by a conscientious monarch. The number of governmental acts that require the King's personal participation could probably be reduced by mere administrative arrangement, without legal change. The practice of giving the Royal Assent to Bills by commission might properly afford a precedent for similar action in other directions. If it is understood that it is the King's duty to make himself fully acquainted with the



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now terrifying mass of Cabinet papers that is circulated daily, the understanding should be revised. In the interest of the King himself, it may be wise to examine courageously the practical aspects of the relations between the King and his Cabinet, in the light of the fact that government must be in his name and not upon his authority. A king in slavery to his desk is not what his peoples need. In general it might be possible to emphasise the imperial rather than the local functions of the King, even in the United Kingdom. The Regency Bill \* does indeed make provision for carrying on the royal duties in the case both of incapacity and of absence from the United Kingdom. It might even be found possible to go further, and to provide for some continuous exercise of certain of the King's duties by deputy in the United Kingdom, even while the King is present there, with the object of setting the King himself as free as possible for action in his imperial capacity, as the symbol of the free association of the members of the British Commonwealth of Nations.

Finally, with an eye to the growing egalitarianism of social life, not only in the Dominions, but also in the United Kingdom, the ceremonial side of the monarchy should be scrutinised afresh. Nice judgment is required. Monarchy requires its ceremonial: too little is as injurious as too much. Changes in a sound direction have already been taking place; but perhaps further modernisation and simplification would be possible. The rigorous etiquette of Court dress is being relaxed, though persons who choose the available alternatives to the traditional vestments will scarcely yet feel at their ease. Thousands of ordinary people draw, from what they see, a possibly exaggerated impression of the extent to which the Crown is identified with a small wealthy and exclusive social circle. Quite small matters, such as the extent and nature of the escort provided for their Majesties in the streets, need some consideration. The wish of King Edward VIII to simplify

\* See THE ROUND TABLE, No. 106, March 1937, p. 257.

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all royal ceremonial awoke a sympathetic response in very many quarters, and the ground thus entered could usefully be more thoroughly explored. The suggestion in the last number of *THE ROUND TABLE* that in selecting the King's household and personal staff some thought should be given to knowledge of the Dominions may here be made again. In every direction the opportunity should be taken of a new reign to scrutinise established traditions and routines. The King must to-day be not merely "the people's King". He must be the King of all his peoples.

## THE PROBLEM OF GERMANY

IT is becoming steadily clearer that the main obstruction to the settlement of the world to-day is what may be called the German problem. There are, indeed, other difficult problems, notably in the Far East and in the Mediterranean zone, but not only is the problem of Germany the most serious in itself: if it cannot be solved it may lead to a crisis in which the risk is not merely local war but world war. If Germany, through some internal or external adjustment, could be reconciled to her neighbours and to Europe, the fever of rearmament would almost certainly die down, the threat of world war through the marshalling of two great alliance systems would begin to disappear, the Far Eastern and Mediterranean problems would themselves become much easier to handle, and the world would probably find the League of Nations an adequate instrument for the settlement of still outstanding problems. It is the purpose of this article to try to assess what the German problem is.

### I. THE INDICTMENT

THERE are, speaking broadly, two views about national-socialist Germany. According to the one, the Germans are different from other Europeans. They are fundamentally domineering and aggressive. They submit readily to political dictatorship at home, and have no hesitation about establishing their own dictatorship over others abroad, if they can. From the earliest times the Germans have manifested a streak of arrogance and brutality which comes rapidly to the top whenever they gain power. Even in the days of Tacitus the Roman commanders reported that the Germans would be content with nothing

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less than the domination of Europe; that, while the Gauls, the Britons, the Spaniards, and other races would respond to generous treatment, the Germans mistook it for weakness and used it as an opportunity for fresh demands. The Germans, in short, respect nothing but force. Force, therefore, is the only weapon that can be successfully employed against them. If they are to be kept quiet they have to be overawed.

In more recent times, according to this view, this characteristic has become incarnate in the Prussians. The rest of the Germans—the Saxons, the Bavarians, the Rhinelanders—have become civilised, lovers of art and literature and music. Civilised as they may be, however, they have never learnt the art of politics or how to resist the brutal violence of Prussia. Frederick the Great made Prussia the most powerful state in the German world. Bismarck, by excluding Austria, created the empire of Prussia in Germany. National-socialism, according to this view, is Prussianism incarnate, intensified by the dogmatic racialism that its Austro-German leader imbibed on the frontier between Slav and Teuton. Prussia, moreover, has done more than learn how to apply violence: it has made violence the creed of a new religion. While the teachings of Machiavelli are the cynical counsels of a sophisticated man of affairs, who saw that the world is not what the simple-minded believe, but is largely controlled by cunning, deceit, and force, the German doctrine, expressed in its most absolute form in Hegel's identification of the ideal with the Prussian state and in the writings of Nietzsche, makes violence an end to be worshipped in itself. It is might itself that is right: it is power that makes its own laws. Thus the greatest nation is the nation best equipped to use force—through the blind obedience of its citizens to the state, through discipline and organisation for purposes of war, and through the ability of its rulers, when the opportunity comes, to strike ruthlessly and decisively at every rival Power.

## THE PROBLEM OF GERMANY

All these characteristics of the religion of force, according to this view, have reached their climax in national-socialist Germany. The gospel of national-socialism is Herr Hitler's book *Mein Kampf*, and this book is interpreted to mean that the objective of his policy is to create a German power that will be able to dominate all Europe, shrinking from no subterfuge or violence as the means whereby this goal should be attained. The instrument of that policy is the totalitarian state, in which all power is concentrated in the hands of the Fuehrer and the party leaders, every form of political opposition is ruthlessly suppressed, and education, propaganda and the press are mobilised and controlled, to produce blind credulity and obedience in every citizen. The totalitarian state not only enrolls every citizen in some highly disciplined category of service, such as the labour corps, or the army, or the women's service units, but also takes effective control of production, distribution, and exchange, and organises them in the service of war. It is not afraid to challenge both the universities and the Christian churches, by expelling professors or clerics who are unwilling to obey, and by suppressing forms of education that may compromise its own control; nor does it shrink from drilling all youth, both male and female, in youth organisations which, in practice, substitute the worship of the German state and the German race for the older loyalties to truth, justice, and the Christian God. The logical outcome of national-socialism, indeed, is to be found in Ludendorff's recent book, *The Nation in Arms*, in which he sets forth the doctrine of a madman, that the sole end of man is war. He describes how it is possible by propaganda, organisation, and the ruthless use of the police to prepare for that total war which, in his view, it is the main object of the totalitarian state to begin without warning and to win by the shattering completeness of its offensive and the matchless courage of its soldiers.

## THE DEFENCE

### II. THE DEFENCE

THAT is one interpretation of Germany. Here is the other. If Germany, throughout her history, has been a military nation, that has been because the existence of the German people depended upon it. Situated on the great central European plain, without natural frontiers, confronted by the glacier-like pressure of the Slavs on the east, and on the west by the constant efforts of France to keep her weak by exploiting her internal divisions, Germany has in fact been the battlefield of Europe. During the wars of religion her population fell from 30 millions to 7 millions through war and famine. Only when Germany has been united under a strong leader has she known prosperity and peace. For centuries the unification of Germany was delayed, partly by pursuit of the will o' the wisp of the Holy Roman Empire, and partly by the policy of dividing Germany that was first formulated by Richelieu. At a time when feudalism was consolidating into national kingship in the west, and the beginnings of the Russian Czarism were being established in the east, the Holy Roman Emperors were selling immunities and independence to their feudal subordinates, in order to obtain the means to prosecute their claims to authority as Emperor against the Popes in Italy and their rivals in Germany itself. As a result, at the time of the French Revolution and Napoleon, Germany consisted of 300 mostly petty sovereignties. After Napoleon had passed, the German confederation still consisted of twenty-three sovereignties. It was the impotence of the German confederation that drew from Bismarck the famous dictum that the German problem could be solved only "by blood and iron". Eventually, by means of blood and iron, he established the German Empire in 1871 at the price of throwing the Habsburgs outside it.

Though he made concessions to democracy by introducing a Reichstag based on universal suffrage, Bismarck



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established Germany fundamentally as a military state; for, situated as she was, she could exist only as a military state. The army, and not natural geographical features, was her frontier to both east and west. After Bismarck's fall, Germany, having won her position in Europe, began to seek one in the outside world also. She built a great navy to enforce respect for her claims as against England and France. But, however shortsighted the Kaiser may have been in building so vast a fleet, and however provocative Germany's *Macht* diplomacy may have been before the world war, it is patently untrue to say that Germany bears sole guilt for that catastrophe. She certainly did not assassinate the Archduke Franz Ferdinand, and it was the mobilisation of the Russian army that finally destroyed all hope of a peaceful settlement. The fundamental cause of the war was the anarchy of Europe itself, which had not even a Concert of the great Powers. Yet the framers of the peace settlement excused themselves with the theory of Germany's sole war guilt. An impossible burden of reparations was placed upon her. Her colonies were taken away. She lost one-seventh of her European territory and all her foreign investments. She was, moreover, permanently disarmed, and compelled to leave her western frontier demilitarised and exposed to a threat at the Ruhr by France.

Defeat, however, enabled the people of Germany to overthrow Kaiserdom and the dominant Prussian tradition. Germany wholeheartedly joined the company of democratic nations. Yet, in its battle to discredit the adherents of the old régime, the republic was given little help by the former Allies. On the contrary, their acts played into the hands of the enemies of the republic. Not only were the terms of the peace tremendously severe, but in 1922 M. Poincaré, pleading a technical default in reparations, invaded the Ruhr against the protests of Great Britain—an act that did more harm to Germany than the loss of the war itself, and gave its real strength to the national-socialist



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movement and justification to the doctrine that force alone counted in Europe. The Locarno settlement, which followed, improved international relations in Europe and gave an opportunity for a real settlement. But the opportunity was not seized. The reparation claims were maintained for another five years. Apart from the scaling down of reparation annuities and the slight advancement of the evacuation of the Rhineland, no attempt was made at a revision of the treaty settlement. The Locarno treaties themselves could not be the foundation of a lasting peace, because they maintained the unilateral disarmament and demilitarisation provisions of the Treaty of Versailles, and provided for no disarmament by France and her military allies. Then came the depression, which ended reparations but also led to the rapid overthrow of the republic by Adolf Hitler. The next turning-point was the rejection by France, under M. Barthou, of the German offers to be content with an army of 300,000 men and a moderate air force. Finally, through acts that violated the Treaty of Versailles but were capable of moral justification, Hitler recovered for Germany full "equality" among the nations by rearmament and by remilitarising the Rhineland.

On this view, if Germany is a military nation and has no illusions about the part that force plays in world affairs, it is not because of any special wickedness in the German people, but partly because of the conditions imposed upon her by history and geography, and partly because of the continuous humiliations she suffered at the hands of France and her allies for fifteen years after the war. Only by recovering her military strength and discipline and an authoritarian government has she been able to escape from the unilateral discrimination of Versailles. In this light, national-socialism is at heart a temporary movement of compensation for the inferiority complex from which Germany has suffered by being made an outcast among the nations since 1918. It has its good features in the discipline, physical training, national self-confidence, unity and order

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it has given to the German people. It has its bad features in the persecution of minorities and the constant emphasis on blind obedience to authority rather than the capacity of the individual to think for himself. If this view is correct, the road to a settlement with Germany is to recognise that her status in the world must be that to which a nation of her power and culture is justly entitled. We should therefore adopt the friendly attitude that will do most to enable the moderate forces within her once more to prevail, and will take away from the extremists their principal argument for huge armaments. Then, according to this view, Germany will settle down to the good-neighbour policy implicit in the League of Nations.

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**A**MID these conflicting opinions it is not easy to form a clear judgment. But neither of the two interpretations set forth above would seem to be the whole truth. On the one hand, the first interpretation disregards the profound effect on Germany of her experiences during the last twenty years, and of the Nazi revolution itself. The old Prussia was a monarchical, feudal, and military despotism, trained in the traditions of Frederick the Great. The new Germany is essentially a popular Germany. The arrogance of officer and official has disappeared. Hitler's power derives from his hold on the masses. That hold has been tested at regular intervals by plebiscites which—whatever allowance may be made for intimidation, for the disfranchisement of Jews and others, and even for possible exaggeration in the official returns—have recorded overwhelming support for the Fuehrer and his policy. The socialist aspect of national-socialism is a reality, not so much in the technical sense of nationalisation of land and industry, as in the sense that the purpose of the régime is to benefit all Germans and not an exclusive caste.

On the other hand, much as a great many Germans may

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dislike the secret police methods and other repressive aspects of the new régime, modern Germany as a whole certainly does not believe in the virtues of democracy as she has experienced it hitherto. The democratic system is inseparably connected in German minds with the period of humiliation and disaster after 1918. It proved unable to recover for Germany "equality" or freedom to arm herself and manage her own internal affairs as she pleased. It is associated with that undisciplined personal licence which expressed itself in the moral degeneracy of sections of post-war Germany, with the multiplication of political parties in the Reichstag and the consequent instability of government, and with the inflation of 1923 and the subsequent deflation, which exposed the people to exploitation by profiteers, among them Jewish profiteers. From this point of view, national-socialism, as a movement through which citizens dedicate themselves to the service of the community—the German *Volk*—is a healthy corrective to the excessive and selfish individualism of the democratic and capitalist era.

All this does not make national-socialist Germany any less formidable. If the purpose of the movement is to develop a healthy, disciplined, public-spirited Germany, possessed of equal rights with all other great nations, it is also imbued with the idea that the glorified state, imposing universal discipline, is the method whereby its ideals will be realised, and that power is the mark of greatness and the road to achievement. Modern Germany is not militaristic in the old imperialist sense of the word. Her people do not want war for its own sake. But she is strongly military and will not shrink from the use of her tremendous power if she thinks that is the only way to secure her legitimate rights. Further, the dictatorial form of government, with its control of the press, its suppression of contrary opinions, and its national regimentation, gives to those at the head of affairs a freedom of decision and initiative, and a menacing power of propaganda, unknown

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in democracies where a free public opinion ultimately controls policy through a free press, free elections, and a free parliament.

### IV. AT THE BRINK OF A PRECIPICE

THERE is no doubt that the process of the recovery of "equality" by Germany is now entering its inevitable second stage. The first stage was the shaking off of the shackles of Versailles. During this stage the principal obstacle was France, who regarded such unilateral discriminations against Germany as the only method of ensuring her own security and the stability of the post-war European settlement. In her effort to rid herself of those discriminations, Germany was able, in effect, to rely upon the support of Great Britain. It was British sympathy for Germany's claim to equality that saved Hitler's re-introduction of conscription and re-occupation of the Rhineland from producing more than diplomatic explosions. Germany, however, now that she is free from the restraints of Versailles and is recovering her strength, is beginning to demand "equality" in a more expansive sense of the word—the kind of position in the world that she thinks appropriate to a great Power, compared with that of other great Powers. She is once more asking for her place in the sun. That is a complex demand. It relates to the position in eastern Europe; it raises the colonial question; it has its economic side; and it concerns, more generally, Germany's status and influence in the counsels of the nations.

There is nothing wicked or malignant in this demand in itself. The severity of the Versailles settlement and the repudiation of the thesis of sole war-guilt made its emergence eventually certain. But it is highly inconvenient and disturbing to more fortunately situated nations, and it is very dangerous in face of the inherent difficulty of peaceful treaty revision, on any considerable scale, especially revision of territorial frontiers. Moreover, it

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tends to bring not only France but also Great Britain into the picture as the obstacle to what Germany regards as her legitimate right.

The answer of France to Germany's repudiation of the unilateral military discrimination of Versailles was to reject Hitler's offers to be content with moderate rearmament, to add Russia to her eastern European allies, to bring Italy into the ill-fated "Stresa front", and later to secure from Great Britain, in replacement of Locarno, a new guarantee against unprovoked aggression in the West. Her hope was to form a military combination of sufficient strength to maintain the *status quo* and to deter even an armed Germany from attempting to modify it by force or *Machtpolitik*. This combination, however, has proved of doubtful worth. Russia is 500 miles from the German frontier, and her army is probably of little value outside her own borders. And Italy, largely thanks to the Abyssinian episode, has practically gone over to the German side.

But the strength or weakness of the French system is not the whole story. Recently many of the German leaders, who have hitherto been extremely cordial in their attitude towards Great Britain, have begun to feel that ultimately it is the British Empire that stands in the way of a solution of Germany's difficulties and the meeting of her legitimate claims. Germany is acutely aware of the disproportionate territorial place she occupies in the wider world. Almost every other great Power has either, like Russia or the United States, far larger resources within its own borders, or colonial possessions to exploit, like Great Britain, France, Italy, Japan, or even smaller Powers—Holland, Belgium, and Portugal. None of these Powers—naturally enough from their own point of view—is ready to hand over any of its colonies to Germany.

At the same time, Germany feels that there are adjustments to be made in Europe itself. Danzig and Memel are German cities. The Austrian people, she complains, are not allowed to decide their relations with Germany

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for themselves. The Germans in Czechoslovakia and Poland are still, in their own view, treated as oppressed minorities, very differently from the manner in which British minorities are treated in countries they inhabit overseas. No doubt the first obstacle to the solution of these questions in a manner satisfactory to the new high-spirited Germany is France and her eastern allies, with Russia in support. But the unwillingness of that combination to make concessions is reinforced by the belief that Great Britain tacitly stands behind the *status quo* both in Europe and in the colonial sphere. Great Britain, therefore, in Germany's present mood, is beginning to appear to her once more as the ultimate obstacle that prevents her from getting what she regards as her just rights.

Of course it is easy to produce a score of arguments on the other side. The extreme racialism of the national-socialist movement, its treatment of the Jews and of its own internal opponents, are alone almost a sufficient counterweight, in many people's eyes, to Germany's claims to control fresh territories and their inhabitants. But the serious fact is that we are witnessing the reappearance of the dilemma that confronted European statesmen, particularly British statesmen, at the beginning of this century—a dilemma that led eventually to the pre-war alliance system and the world war.

In some ways the situation is less dangerous than the equivalent situation in 1904. Germany was then intent on building a navy to rival the British navy. She has now accepted, for the time being at least, a ratio of 35 per cent. Pre-war Germany was violently imperialist, and as such suspicious of and hostile to Great Britain. Modern Germany, on the contrary, is at heart extremely friendly towards Great Britain. Friendship with England is a first article in Hitler's creed, and the friendliness of the mass of the people towards the English, whom they regard as a kindred race and their only friend since the war, is manifest to every visitor. The German people are not to-day jealous



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of or hostile to the British Empire or resentful of its rearmament. They regard it as a bulwark of stability and of civilisation in the world.

In some ways, however, the problem to be solved is more difficult than before the war. As a result of Versailles, Germany occupies a far smaller place in the world than she did in 1914. The loss of her colonies, her foreign investments, and one-seventh of her European territory is the more seriously felt because economic nationalism is everywhere stronger than in 1914. It is more difficult for Germany—as it is for every other country—to purchase by exports to the outside world the supplies she cannot produce within her own boundaries. Moreover, the armaments race is already far more intense than it was in 1914, and Germany is better equipped than ever before, physically, psychologically, and governmentally, to use force to achieve what she believes to be her legitimate ends.

There is the dilemma that confronts the statesmanship of the world. The errors of the Versailles settlement and the post-war treatment of Germany have come home to roost. Modern Germany is nationalist, not imperialist, and is quite prepared to recognise the rights of other nations and their title to live. She does not want war, for she knows what modern war means. Her people, indeed, are opposed to war. But Germany is dissatisfied, and she is determined sooner or later to get what she believes to be her rights. The national-socialist revolution and its aftermath during the last five years have profoundly alarmed all her neighbours. They suspect Germany's intentions. They suspect her methods. They do not know what her ultimate demands may be. To the natural selfish reluctance to give anything away is added the belief that concessions now would be only Danegeld. They feel that they must rearm and stand together to resist their own destruction and the spreading of an anti-social creed.

A reconciliation between the German and non-German points of view is not impossible, if common sense and

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goodwill can prevail on both sides. If Germany really accepts the national independence of the true nationalities of eastern Europe, just as Great Britain accepts the independence of the Dominions, it ought not to be impossible to transform the eastern European situation so as to satisfy Germany's legitimate desires. And, provided the strategic and the economic aspects of the colonial problem can be kept separate, a solution may perhaps be found which would be out of the question if great territorial changes were necessary. The first condition of relaxed tension and a cessation of armament competition is that the whole problem, and the tremendous dangers it involves, should be far more seriously considered than has yet been the case. Nothing but good could come from personal contacts between responsible leaders. The difficulties in the way of a settlement are clearly very great, but precisely because they are great they can be surmounted only when relations of understanding and confidence exist between principals on both sides.

Not until a full explanation of motives and viewpoints has taken place will it be possible to arrive at conclusions about the future. If an agreed settlement proves to be possible the world will move into smooth waters and the League will revive. If an agreed settlement is not possible, we shall at least know whether the obstacle lies with Germany or with her neighbours or with ourselves. We shall be in a better position to judge whether our right policy is a refusal to join either side in a new European alliance system, and an attempt to isolate any European war, if it comes, by preserving neutrality alongside the United States, or whether peace can better be defended by our undertaking precise obligations against aggression in Europe. Public opinion in the Empire—this at least is clear—will be reluctant to enter into any such commitments until a fresh attempt has been made, in all sincerity, to reach a just and agreed settlement.



# EMPIRE TRADE AND WORLD TRADE

## I. THE ROAD TO FREER TRADE

BY the time this article is read, the immediate future of Imperial trade arrangements will probably have been decided by the assembled statesmen of Great Britain, the Dominions, and India. If, therefore, the problem of Empire trade to-day were merely a question of revising the details of the Ottawa agreements, this moment would be either too late or too soon to discuss it in *THE ROUND TABLE*. But that is only one corner of a complicated pattern. The real issue is the contribution the British Commonwealth is to make to the future of world trade. The need for tackling that issue is urgent; the opportunity is ripe. The revival of international trade lags behind internal recovery all over the world. Few countries are more damagingly affected by this than Great Britain, and with her the nations that rely upon her purchasing power. To some extent, no doubt, the check to international trade is a lasting one; barriers have been imposed, not only for economic but also for political and strategic reasons. Hence no complete solution is possible that does not include a political settlement and a relaxation of the fear of war. Yet one of the causes of political tension is economic difficulty, and a lowering of trade barriers is a necessary step in the approach to political settlement. This imposes a special responsibility on economically powerful nations like Great Britain and the United States; for in the advance towards freer trade conditions they can—and must—move a pace ahead of countries whose sharper need has driven them to adopt abnormal methods of economic defence.

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The opportunity for such an advance arises, fundamentally, out of the rise in prices and the revival of national economies. Cheap money, government spending policies, the amazing elasticity of the capitalist system, the inflation of the price of gold, the many-legged scramble towards currency realignment—these and other forces have checked and reversed the vicious revolution of unemployment, bad trade, and low prices. Experiments can now be made, and risks be taken, that were unthinkable five years ago. Governments that were then preoccupied with saving their currencies from collapse and with finding almost any means, sound or unsound, of stemming unemployment are now concerned with entirely different economic problems. They are exercised over the dangerous possibilities of the boom; they are wondering how the active demand for labour can be diverted from inflating costs in the more prosperous industries (including those making armaments) into sponging up the reserves of chronically idle labour in the less prosperous trades and areas.

In the international field a number of developments have prepared the way for a further and wider effort. They include the three-Power monetary agreement \* and moves made by the Oslo group, by Germany, and by the United States. It is the purpose of this article to examine the more important of these signposts on the road to freer world trade.

### II. THE GOLD BLOC SIGNPOST

IT is one of the paradoxes of practical economics since the slump that over-valuation of currencies, though obviously associated with internal depression, has not been associated with declining balances of external trade. On the contrary, it is countries like Great Britain and the United States, which stole a march on the gold bloc in monetary policy, that have seen their imports rising faster than their exports. Protection by tariffs and quotas was a successful

\* See THE ROUND TABLE, No. 105, December 1936, pp. 39-53.

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element in the deflationary defence of gold bloc economies. Hence the ending of the gold bloc brought about a new paradox: in order to compensate for the protective and price-raising effect of the cheapening of their currencies, it was necessary for France and her monetary associates to lower their barriers against imports; yet experience showed that the internal reflation rendered possible by devaluation would itself serve to expand imports and possibly to retard exports. Weight and counterweight would be thrown into the same pan of the scales. For this reason, devaluation offered a unique opportunity for a lowering of barriers outside as well as inside the gold bloc. The three Governments that signed the declaration of September 26 agreed that the success of the new monetary policy was linked with the development of international trade; in particular, they attached the greatest importance to the taking of action without delay to relax progressively the existing system of quotas and exchange controls, with a view to their abolition.

So far, the practical response has been rather disappointing. France and the other gold bloc countries, including Italy, lowered certain of their barriers to imports at the time of devaluation, largely with the object of checking the expected rise in internal prices. The United States and the Oslo Powers have persisted with their respective commercial policies, designed to further world trade. There have been other isolated developments, such as the relaxation of the quota system in Turkey. On the whole, however, there has been little to show. British policy has been, at least on the surface, curiously inert. On April 13 Mr. Neville Chamberlain told a questioner in the House of Commons that the Government were "not at present contemplating" negotiations with the United States and France for the conclusion of an economic agreement "covering a rather wider field and of a more permanent nature" than the currency understanding. Replying to a deputation three weeks earlier, the Prime Minister had claimed that the main obstacle to the development of

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international trade was the existence of exchange controls and of quota restrictions on industrial goods. In this regard the British Government was innocent. British tariffs, said Mr. Baldwin, had been imposed to prevent the increase of unemployment and to protect the standard of living in this country. He frankly resigned the initiative for a liberation of trade to countries that had developed their protective systems to a greater degree than had the United Kingdom.

In these somewhat stagnant marshes the spring of liberal energy that gushed when the three-Power agreement was signed has trickled away. A fresh channel, however, though perhaps a narrow one, was cut in April when M. van Zeeland accepted a joint Anglo-French invitation to "examine the possibilities of bringing about a relaxation of obstacles to international trade".

Meanwhile, the double loading of one side of the scales had had a striking effect upon France's external trade. In the first nine months of 1936, her imports had averaged 1,937 million francs a month, and her exports 1,182 millions. The adverse balance was thus 755 million francs a month. In the first five months after devaluation, while her exports increased to a monthly average of 1,657 million francs, her imports averaged 2,993 millions and the monthly adverse balance rose to 1,342 millions. Whether France can make up this extra deficit of nearly 600 million francs a month by means of higher tourist receipts and other invisible earnings, and by attracting the permanent return of capital, has yet to be shown. What is already clear is that the fall of the franc, instead of giving France the equivalent of added protection and an export subsidy, has greatly increased the value of her purchases abroad, while her exports, expressed in sterling, have remained almost constant.

France's internal economic changes, which have helped to bring this about, are none of the affair of her neighbours. But the political consequences of any deterioration of her economic position cannot be ignored. There seems no apparent alternative at the moment to the Popular Front

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Government, whose régime has coincided with a period of cordial and fruitful collaboration between France and Great Britain, especially over the Spanish war. Its collapse through financial and economic difficulties might possibly produce chaos in France, than which there could be no worse danger for European peace. This is, perhaps, a side issue, but it reinforces the hope that M. van Zeeland's mission will yield practical results, which will further the stability and prosperity of the democracies.

### III. THE OSLO SIGNPOST

IN the far-off days when "tariff truce" was the *mot d'ordre* in discussions of international commercial relations, the smaller countries of northern Europe—Belgium, Denmark, Finland, Luxembourg, the Netherlands, Norway, and Sweden—met together at Oslo. The result was the signature of an agreement, which went into force in February 1932, whereby each of the parties undertook not to increase its tariff for a period of one year without due notification of the increase to the other parties, who could then make representations and negotiate an equitable compromise. Not long after the Oslo convention had gone into force, three of its signatories, the Netherlands, Belgium, and Luxembourg (who was in customs union with Belgium), took a more positive step. They did so after conversations with the other Oslo Powers, but the latter preferred to postpone action until economic conditions were more settled; they had not long previously allowed their currencies to follow sterling on its downward course. In June 1932 the three countries mentioned signed the Convention of Ouchy-Lausanne, the key clause of which provided for the progressive reduction of tariffs on the trade passing between them. Such tariffs would be cut by 10 per cent. of their amount per annum until they had fallen to one-half their former level, subject to a minimum of 4 per cent. *ad valorem* on semi-manufactures and 8 per cent. on fully manufactured articles.

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The attitude of Great Britain and other countries towards this convention was obviously vital, since they could nullify it by insisting upon their most-favoured-nation rights. This question was taken up by the Commercial Relations Committee of the Ottawa Conference. Attention had been drawn, said its report,

to recent tendencies in foreign countries to conclude regional agreements between themselves for the mutual accord of preferences which were designed as being exclusive, and not to be extended to countries which were not parties to, or did not adhere to the agreements. On this point, there was a general agreement that foreign countries which had existing treaty obligations to grant most-favoured-nation treatment to the products of particular parts of the Commonwealth could not be allowed to override such obligations by regional agreements of the character in question. . . . The Committee recognised that the fact that rights are accorded by most-favoured-nation treatment does not preclude a foreign country from seeking the consent of the various Governments of the British Commonwealth to the waiver of their rights in particular cases.

The Ottawa Conference in effect agreed that group preferential arrangements designed to lower barriers to trade were a valuable exception to the most-favoured-nation rule. For it recorded the policy of the several Commonwealth Governments that treaties with foreign countries should not be allowed to interfere with imperial preference (that is to say, preference should override most-favoured-nation undertakings); and it declared that the easier flow of trade within the Empire, resulting from the Ottawa preferential agreements, would stimulate and increase the trade of the world. In contradiction of this theory, Mr. Baldwin told the deputation mentioned above that the creation of a low-tariff group was dangerous, because it would involve discrimination against non-participating countries, and might lead to retaliation and tariff wars. It would mean an end to the general application of most-favoured-nation treatment, to which the Government attached special importance.

Lately, the Oslo Powers have again come together to

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discuss possibilities of improving international trade. Their expert delegates met at the Hague and Brussels in March and April this year, and produced a new draft multilateral agreement. Since 1930 their economic and monetary policies had taken divergent courses in the face of depression. The Scandinavian currencies followed and overtook the depreciation of sterling; Belgium, after four years of deflation, went off the gold standard in 1935, the Netherlands not until September 1936. Belgium-Luxembourg and the Netherlands had adopted import quotas, Denmark a system of exchange control. The Scandinavian countries had all made special commercial treaties with Great Britain while linked with her in the sterling bloc.

The Oslo Powers taken together actually do more trade with Great Britain than they do among themselves, as the following table shows. Moreover, Great Britain's share, especially in their imports, has been rising.

*Trade of the Oslo Powers \* with each other, the United Kingdom, and Germany, 1929 and 1935*

*(in millions of pre-1933 gold dollars)*

|                           | Other Oslo countries. |       | United Kingdom. |       | Germany. |       |
|---------------------------|-----------------------|-------|-----------------|-------|----------|-------|
|                           | 1929.                 | 1935. | 1929.           | 1935. | 1929.    | 1935. |
| Imports . . .             | \$565                 | \$220 | \$458           | \$210 | \$908    | \$265 |
| % of total im-ports . . . | 16.2                  | 16.7  | 13.1            | 16.0  | 26.0     | 20.2  |
| Exports . . .             | \$492                 | \$193 | \$806           | \$307 | \$498    | \$159 |
| % of total exports . . .  | 16.6                  | 17.1  | 27.2            | 27.2  | 16.8     | 14.0  |
| Aggregate . . .           | \$1057                | \$413 | \$1264          | \$517 | \$1406   | \$424 |
| % of total trade . . .    | 16.4                  | 16.9  | 19.6            | 21.1  | 21.8     | 17.3  |

\* Belgium-Luxembourg, Finland, the Netherlands, Norway, and Sweden.

These figures make manifest the vital importance, to the group of low or moderate tariff countries of northern Europe, of their trade relations with the United Kingdom and with Germany. It is convenient, therefore, to examine in the next section the economic relations of Germany with the rest of the world.



## EMPIRE TRADE AND WORLD TRADE

### IV. THE GERMAN SIGNPOST

THE crisis of 1929 and after imposed a complete reorganisation upon Germany's external trade. Since 1924, it had been adjusted to a large inflow of foreign capital—twice as great in the aggregate as the reparations that Germany paid in the same period. The rising rate of interest, the growing hesitation of foreign investors, and the superior attractions of the Wall Street boom dried up this stream before the depression seriously affected other European countries or the United States. In 1929, Germany managed to strike a balance between imports and exports, but without any margin to pay dividends and interest on the money she had borrowed, as well as reparations. Her short-term indebtedness piled up, and the panic crisis of 1931 drained her of gold and credit abroad. The standstill agreement of 1931 on short-term debts was followed two years later by a partial—now almost complete—embargo on the transfer of long-term debt service into foreign currencies. Germany has gradually installed a system of currency control extending to the most minute details of international traffic—trade, transport, finance, and tourism. She has used the system of blocked marks of many kinds (which of course stand at a large discount compared with free exchange) to subsidise exports, and occasionally to redeem her indebtedness on the cheap. She has also instituted a general system of export subsidies, financed by a levy on internal industry.

The course of her trade from 1929 onwards is shown in the following table.

*(in billions of Reichsmarks)*

|                   | 1929. | 1930. | 1931. | 1932. | 1933. | 1934. | 1935. | 1936. |
|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Retained im-ports | 13.4  | 10.4  | 6.7   | 4.7   | 4.2   | 4.4   | 4.1   | 4.2   |
| Domestic ex-ports | 13.4  | 12.0  | 9.6   | 5.7   | 4.8   | 4.1   | 4.2   | 4.7   |
| Credit balance    | —     | 1.6   | 2.9   | 1.0   | 0.6   | -0.3  | 0.1   | 0.5   |

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While imports have been kept fairly stable since 1931, exports fell steadily till 1934, and have since recovered. The improvement in exports is being more than maintained in 1937, but the extra foreign exchange is being consumed by the higher prices of imported raw materials. Self-sufficiency—the Four-Year Plan to make Germany independent of the outside world for her vital needs—was Herr Hitler's answer to the problem of Germany's trade balance. However successful this effort might be after a long period of experiment and capital development, it had barely begun when the rise in prices, combined with a bad crop year at home, undid everything already accomplished in economy of imports. Germany has had to adopt, for the time being, a different attitude in order to overcome her present difficulties.

That seems to be the significance of Dr. Schacht's visit to Brussels and other foreign capitals in April, and of the feelers he has been putting out towards a fresh commercial understanding between Germany and her neighbours. They will be only prudent if they approach with caution proposals that may be only a temporary means to an eventual end which is the very opposite of what they desire. It is the struggle for national self-sufficiency that is depressing the standard of life everywhere, and building up the conditions in which war and dictatorship flourish. Dr. Schacht may speak to-day with one voice, Herr Hitler to-morrow with another. Yet suspicion of Germany's ultimate intentions ought not to distract us from examining the realities of her economic position. While an economic settlement from which Germany stood aside would be no less valuable in itself than was the three-Power currency agreement of last year, an economic settlement in which Germany took part would be far more valuable still.

Some of Germany's difficulties are of her own creation. She has spent on the material for armaments resources that she might have spent on raising the standards of her people, on improving the efficiency of her industry, or even

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on paying her debts. Anti-semitism and other aspects of Nazi policy have injured the goodwill of foreign traders and consumers. The deliberately chosen monetary policy of the Reichsbank has saddled Germany with an over-valued currency which handicaps her exports and makes it essential to barricade her economy behind a ring-fence of control over finance and trade. Nevertheless, it is well to bear in mind the reasons for that policy : a bitter memory of post-war inflation, an almost complete absence of gold reserves, a huge external debt which falls in terms of local money with every relative fall in the foreign currencies in which it is expressed, the prospect of a gigantic flight of capital—foreign, Jewish, and German—if the barriers to its movement were taken down. Any liberation of German exchange control can only be by slow degrees. And one pre-requisite is necessary before even a first step can be taken—fresh capital to provide monetary reserves and a margin for withstanding any deficit on the balance of payments. There are plenty of economic and financial reasons against a loan to Germany at the present time, but they are subordinate to the political reasons. Germany is an object of suspicion rather than confidence, and until that is changed she is incapable of making a successful appeal to the money markets of the world. The purely financial objections to lending to Germany could not be overcome unless the loan were guaranteed internationally. Which of Germany's neighbours is prepared to offer such a guarantee in the present state of European politics? In a word, the problem of Germany's relations with the rest of the world is fundamentally a political problem, and her participation in an all-round economic settlement can come about only as part of an all-round political settlement.

### V. THE AMERICAN SIGNPOST

THE new phase in American commercial policy dates from the passage of the Reciprocal Trade Agreements Act in June 1934. The Act authorises the President to negotiate

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agreements for mutual benefit in trade, and for that purpose to alter United States tariffs, subject to certain limitations, by not more than 50 per cent. of their existing amount. The operation of this Act is associated with the much older American commercial policy of according unconditional most-favoured-nation treatment to all countries that do not discriminate against American goods. The majority of the treaties so far negotiated under the Act of 1934 are with tropical or semi-tropical countries, or northern timber-producers, exporting mainly raw materials and foodstuffs of a kind not grown in the United States and already entering duty free or over very low tariffs. Four treaties, however, have been concluded with industrial European nations—Belgium, France, the Netherlands, and Switzerland—which, like Great Britain, buy more from the United States than they sell to her, and export goods of a class largely competitive with her own.

The treaties do not indicate any great willingness on the part of the United States to allow greater freedom of entry to industrial products. In the French treaty, duties on 71 articles imported from France were cut, affecting roughly one-third of French exports to the United States; but the most notable items on the list were wines and brandy, Roquefort cheese and perfumes, rather than industrial products proper. Some of the articles concerned were not being produced in the United States in spite of high protection. In return, France cut duties on motor-car chassis, fruits, cash registers, machinery, and tyres, *inter alia*, and granted larger import quotas for other articles, including American specialities like typewriters and refrigerators. Switzerland received from the United States lower duties on watch movements, certain special textiles and machinery items, and a number of other high-valued manufactures of great importance in her trade. On the other hand, the Netherlands obtained practically no concessions on manufactured products, the chief United States imports covered in the treaty being cheeses, herrings,

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bulbs and seeds, and colonial products from the Netherlands empire. The advantages given to these countries have been neither insignificant nor relatively less than the advantages they in turn have provided for American exports; but they afford little direct encouragement to the hope that the United States is prepared to offer, in exchange for equivalent terms, a much wider market for British exports, most of which compete with American industry and now have to overcome very high tariffs in the United States.

The agreement with Canada is much the most important of the American trade agreements.\* Canada's chief concessions were to place United States goods under the intermediate instead of the general tariff, and to promise to abolish special customs valuations and other arbitrary increases of protection. She also conceded certain specific reductions in tariff rates. In return, the United States lowered her tariff on 13 per cent. of imports from Canada, and on a further 50 per cent. guaranteed the continuance of free entry. Here again, however, a hint has been given of the limits set by internal conditions upon the Administration's capacity to reduce tariff barriers. Strictly limited though they are, the concessions made to Canada on agricultural products have aroused vigorous protest among American farmers.†

The Roosevelt Administration lays great stress on its most-favoured-nation policy. It justly claims that this assists the general downward movement of tariffs by securing to all America's customers (save those that discriminate against her in their own tariff and quota systems) the same advantages as are accorded to any one of them by bilateral pacts under the Reciprocal Trade Agreements Act. A contrast is frequently drawn by American critics between this system and British commercial policy. As far

\* A full account of it appeared in *THE ROUND TABLE* for March 1936, No. 102, pp. 385-92.

† See *The Hull Trade Program*, by David H. Popper. Published by the Foreign Policy Association, New York.

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as the principle goes, the criticism is entirely unfounded—barring imperial preference, which in effect is equally part of American policy. Great Britain has as many most-favoured-nation treaties as the United States. The accusation, however, has more substance when it is directed against the spirit in which the principle is applied. There is a good deal in the charge that discrimination between different foreign countries has crept into Great Britain's quota system for agricultural imports, under the various bilateral trade agreements she has signed with Argentina, the Scandinavian countries and others. Indeed, the liberal purpose of the most-favoured-nation clause and the restrictive purpose of import quotas can never be easy bed-fellows. However impartially adjusted, quotas based on past quantities of trade cannot fail to be discriminatory against efficient and expanding producers. The abandonment of quota restriction—the British Government has frequently denounced it when applied by other countries—and the substitution of straight tariffs, combined where necessary with direct aid to the consumption of home products, would be a sound first step towards a more liberal trade policy on the part of Great Britain. It would certainly be welcomed by the Dominions, who since 1932 have strenuously opposed the principle of restriction of efficient primary production.

A second charge against British commercial policy, by contrast with that of the United States, is that it has countenanced arrangements with debtor countries under which the proceeds of their net exports to Great Britain are earmarked for the satisfaction of British creditors. Great Britain has in fact entered into a number of clearing arrangements with this purpose. The policy can hardly be justified on purely commercial grounds, since experience shows that the usual effect of clearing systems is to diminish the total volume of trade passing. The defence must therefore be sought in financial grounds. Creditors have had a very raw deal during the slump, and if governmental

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protective policy is justified for industry it must have some excuse for finance, especially when debtor countries refuse to pay even though well able to do so. In many cases the trader and creditor have been the same; for the debts with which the clearing agreements are chiefly or wholly concerned are those arising out of past exports. Nevertheless, the system of clearings must be recognised as in principle an obstacle to freer trade, and therefore in the long run to financial security; for only in the deep waters of enlarged international trade can a vessel of so deep a draught as existing international indebtedness be floated, in whatever direction the current of trade may be setting. It must also be remembered that arguments about the rights of creditors are not readily accepted in the United States, where, as in Great Britain, an enormous volume of private foreign investment has had to be written off, and where the question of war debts still rankles.

Practically every thinking person in Great Britain would like to see the war-debt question settled. Practically no thinking person in Great Britain believes that it is possible to pay the full instalments due under the Baldwin-Mellon agreement, augmented as they now are by arrears in suspense. Opinions as to how much it is practicable to pay vary widely. Some would like to see a composition for a lump sum, to be raised by the British Government in American loan markets and treated henceforward as an ordinary item of the National Debt. Some would accept a scale of annuities based on the principle that the whole amount of the debt should be repaid, but without interest at any period, past or future, and possibly adjusted according to changes in the price-level. Others believe that a reasonable settlement would be the payment of annuities admittedly only "tokens" but nevertheless substantial—say, £10,000,000 a year. But the nature of a practicable war-debt settlement depends not only on what can be accepted by British public opinion—which, it must be confessed, rates the American attitude no more highly



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than American opinion rates the British attitude—nor only on what can be raised by taxation or loan under an already strained budget, but also on two factors in the control of the United States herself. The first is the willingness of Congress to accept any reasonable settlement at all; if Congress insists on its full sixteen ounces of flesh, it is probably better to leave matters as they are.\* The second is the willingness of the United States to rectify her balance of payments in order to take payment in goods. This is not necessarily a bilateral problem; the important thing is not so much that the United States should expand her imports from Great Britain as that she should expand her imports as a whole. She has raised up one of the world's highest tariff barriers and has deliberately under-valued her currency. Fortunately, in President Roosevelt, Mr. Cordell Hull, and Mr. Wallace she has a group of leaders who have turned their faces against isolationism in economic life. The task that faces Great Britain and others of her neighbours is to make the most of the opportunity thus offered.

### VI. THE COMMONWEALTH'S RESPONSIBILITY

THIS cursory survey of the economic position and policies of a number of Powers with whom, it has been urged, the British Empire ought to seek closer trading relations on a basis of freer trade all round has suggested two main conclusions. First, the economic conjuncture of the time, and the express anxiety of countries that formerly stood for an opposite policy to improve their trade relations with the world, create a more favourable opportunity for tackling the problem of world trade than has existed for the past eight or nine years, possibly much longer. Secondly, while there is reason to believe that such professions of economic liberalism sometimes outrun practical capabilities, the reluctance of Great Britain herself to take a lead in negotiations towards freer trade prevents

\* See the article by an American correspondent below, p. 605.

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these professions from being put to the test, and suggests to a good many observers, however falsely, that her policy is a major obstacle to progress. That this is an exaggerated view is clear from two facts: first, that the British tariff remains moderate compared with those of a great many foreign countries, including some of the countries held up to us to-day as examples of liberalism; second, that British imports have been increasing far more rapidly than British exports—largely, of course, as the counterpart of increased earnings from shipping and foreign investments.

Perhaps the British Government's chief difficulty in seeking agreements with foreign countries for a mutual lowering of trade barriers is the fact that many of the countries with which it has special reason to do so are leading competitors in our market with the Dominions and colonies, to whom we are pledged to give preferential treatment. This certainly applies to the United States, Argentina, and the Scandinavian countries; even France competes with the Dominions in wines and a number of other articles. This is not the place to argue once again the general issue of imperial preference, which is closely bound up with historical, strategic, and political questions, and cannot be considered on the economic plane alone. It is significant that in her recent reciprocal trade treaty with Cuba, the United States granted lower preferential duties on sugar which were not extended to other countries, the most-favoured-nation principle notwithstanding, on the ground of her special historical and economic relations with the Cuban republic. No foreign country has denounced imperial preference in principle. The practical issues concern the details of its operation.

Granted the acceptance of imperial preference, the problem of its relation to Britain's foreign trade can be expressed in two broad questions. First, how far is preference actually and directly responsible for the interruption of her trade with foreign countries since 1931? Between 1930 and 1936, United Kingdom imports from

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foreign countries fell by 30 per cent., from £740 million to £515 million; in the same interval, United Kingdom imports from the Empire rose by nearly 10 per cent., from £304 million to £332½ million. (On the export side, the figures were relatively more favourable to foreign trade, since exports to foreign countries fell by less than £100 million, while exports to Empire countries fell by £32 million.) How far, then, was imperial preference the direct cause of this diversion? The second question concerns the future rather than the past. Assuming that the economic advantage of preference lies in the development of freer trade relations over an area specially suited for profitable mutual trade, is the British Empire, either from the point of view of the United Kingdom or from that of the Dominions and colonies, a sufficient unit, or the best unit, for such a development?

In assessing the effect of British imperial preference on foreign trade, we are under two serious handicaps. First, there is the difficulty of distinguishing direct from indirect responsibility. There can be little doubt that the Ottawa agreements were the signal for a further raising of tariff and quota barriers by foreign countries. We cannot tell, however, what would have been the course of events abroad had imperial preference not come into operation, or whether foreign countries might not have reacted similarly to a British protective policy of a less preferential kind. The second difficulty is that of separating imperial preference from British protectionism. The need for giving preferences to those who already accorded them to us was one of the reasons offered by the Government for imposing the system of protection embodied in the Import Duties Act of 1932. From the start, preference was an integral part of the British protective system, and the implied threat that it might be abandoned after November 1932 unless in the meantime compensatory agreements could be reached with the Dominions was not to be taken too seriously.

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In spite of this entanglement, one or two significant facts may be stressed. The big rise in the ratio of imports from the Empire to total imports into the United Kingdom took place between 1931 and 1932, and therefore could not have been due to the extra preferential concessions granted at Ottawa, since they went into force only towards the end of the latter year. In the second place, an examination of detailed import schedules suggests that the diversion of British purchasing power from foreign countries to Empire countries has not been nearly as important an influence upon the course of trade as the curtailment of that purchasing power itself, and its concentration on products such as raw materials and staple foodstuffs which are largely supplied by the overseas Empire. Notable among the commodities concerning which foreign countries chiefly complain of British interference with the natural flow of world trade are meat and dairy products. But in these categories United Kingdom imports from foreign countries have fallen in value since 1931 by nearly six times as much as United Kingdom imports from Empire countries have increased. In other words, British protective policy appears to have been far more serious a check to foreign trade than British preferential policy.

There is good reason to believe, therefore, that a substantial liberation of trade with foreign countries is possible within the existing framework of imperial preference. If that is to result, however, two conditions must be fulfilled. The first is that pledges of imperial preference should not be given in a form that inhibits a reduction of foreign tariffs, but rather in a form that guarantees the maximum freedom of trade within the Empire itself. Especially in long-period pacts like the Ottawa agreements, it clearly hinders freedom of action in seeking freer world trade to promise that preferential margins shall not be less than a certain amount. For in that case, whatever concessions may be offered in exchange by foreign countries, no remission of duty can be made on foreign goods unless a

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corresponding remission is made on Empire goods, which is logically impossible when those goods already enter duty free, and difficult when they enter at a level fixed as the minimum protection required by general economic policy. The exchange of this type of pledge for guarantees that the preferential tariff will not be raised above a certain level—sometimes zero—was a valuable feature on Canada's side of the recent pact replacing her Ottawa agreement with the United Kingdom.\* It is much to be hoped that new agreements with the other Dominions will follow the same course.

The second condition is that, in part return for the freer entry for their products into the United Kingdom market, the foreign countries concerned should expand their purchases of products from the Dominions and colonies. This seems to be the right path of escape from the error of concentrating too much upon two-way trade, either within the Empire or beyond. It is a condition that applies especially to the United States. If Great Britain is to offer a wider market for American goods, to some extent at the expense of Dominion suppliers, she may justly suggest to the United States that in return the American market for Dominion primary products—for instance, Australian and Canadian dairy products—should be enlarged. The increased purchasing power of the Dominions would redound to the advantage of Great Britain, thus completing the triangle. This brings us to the other main question about imperial preference. Is the British Empire, neither more nor less, the right unit for the promotion of economic inter-dependence—for seeking a larger area of freer trade or a farther-flung protectionist barrier, according to our way of looking at these things?

From either point of view, there is much to suggest that it is not a sufficient unit. Curiously enough, it is British protectionist policy that has brought this conclusion home to many people who might otherwise have denied it. For

\* See below, p. 645.

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that policy has exposed the limits of Great Britain's capacity to render herself independent of foreign sources of supply and foreign markets, and at the same time it has exposed to the Dominions the danger of relying too exclusively upon a single market that may contract rather than expand in the future. Australian opinion, for instance, has visibly turned towards strengthening the Commonwealth's economic ties with foreign countries, notably in the Far East but also in Europe. Canada's treaty with the United States is another wind-vane pointing in the same direction. Such developments may be regretted by those who regard imperial preference as an end in itself, but will be welcomed by those who regard it as a means to an end—the economic progress of the nations that share in it, not at the expense of other countries but to their advantage. The long-term economic problem of raising the standard of life, the short-term economic problem of spreading recovery more evenly and preventing it from ending in an unhealthy boom, alike require for their solution a general lowering of barriers to international trade. Imperial preference can and should be made one of the paths towards that goal. But it is not the only path, and when Empire trade policy is settled there are other tasks ahead for those in charge of British commercial policy.

## CZECHOSLOVAKIA AND ITS MINORITIES

*From a Special Correspondent*

IT is usual to refer to Czechoslovakia as an artificial creation brought into temporary being by ignorant peace-makers. It is denounced for its ridiculous shape and its many languages; the tyranny of a minority of Czechs over the other nationalities is shown by implication to cry out for German, Hungarian, and even Polish intervention. Czechoslovakia in fact consists of the two ex-Austrian provinces of Bohemia and Moravia to the north and west, together with the two ex-Hungarian provinces of Slovakia and Ruthenia to the south and east.\* The country contains about fifteen million inhabitants, nearly ten million Czechoslovaks, and nearly five million people speaking other languages. Thus its minorities comprise about the same proportion of the population as do the minorities in Poland. It is often claimed there is no such thing as a Czechoslovak; that the country is managed by the Czechs, who, alone, form merely half the population; that the two-and-a-quarter to two-and-a-half million Slovaks are as different and as discontented as the rest of the inhabitants. Hence the claim of the republic to be accepted as a political entity that should have been created and that ought to be preserved depends partly upon the extent to which the composite name of Czechoslovakia can be justified.

### I. CZECHS AND SLOVAKS

THE relations between Czechs and Slovaks have not always been easy, and it is by no means simple to define them to-day. These people were separated for something

\* See map on p. 486.



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like one thousand years, from the disintegration of the ancient kingdom of Moravia until the peace settlement of 1919. In that tremendous interval, moreover, they were subjected to widely differing influences. In the period immediately before their union, the Czechs had lived under the more western and liberal administration of Austria, and the Slovaks under the more oriental Hungarian yoke. The Czechs had played an important part in the political life of pre-war Austria, while the Slovaks in Hungary had been systematically neglected or Magyarised. It is illuminating to hear Slovaks describe how in their youth they were not only compelled to attend Hungarian schools, but were even escorted home from school by elder boys who had to insist that only Magyar be spoken *en route*.

Czechoslovak union in 1919 brought together about seven million Czechs, mostly very rationalistic and highly developed politically and industrially, and some two million Slovaks, consisting in the main of a very devout and primitive peasantry. Friction of various kinds was inevitable, but on the whole the Czechoslovak experiment is justifying itself. The appointment of the Slovak, Dr. Hodza, as Prime Minister in 1935 represented a shift of the balance towards a true equilibrium. To-day the younger Slovaks are increasingly ready, and even eager, for jobs in Prague, which is beginning to become their city too. Inter-marriage between Czechs and Slovaks has been occurring on a sufficiently large scale to become a noticeable social factor. It is very difficult to make a precise statement about the relation of the Czech language to the Slovak, partly because, even among so few Slovaks, there is a good deal of local variety in the villages. Slovaks do not use the Czech sound ř, but the suggestion, sometimes made by Poles, that Slovak is nearer to Polish than to Czech is untenable. Czech and Slovak are so much alike that a man can easily forget which language he is speaking or reading, and the best Czech newspapers, such as *Lidové Noviny*, are increasingly read in Slovakia. Though Dr.

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Benes' *modus vivendi* with the Vatican in 1929 propitiated Slovak religious feeling, the biggest political party in Slovakia is still that of the Clerical Autonomists led by Father Hlinka, which desires complete home rule for Slovakia. It only represents, however, 30 per cent. of the Slovakian electorate, and among the other parties only the Hungarian Opposition sympathises with the autonomy demand.

### II. THE HUNGARIAN MINORITY

WHILE the Slovaks undoubtedly remain less western than the Czechs, even the most anti-Czech autonomist among them knows that he does not wish to become Hungarian again. Whereas a Habsburg restoration would perhaps draw the glances of Croatia, Slovakia would not raise her eyes. There are, however, some 700,000 Hungarians living mostly in southern Slovakia \* on whose behalf Hungarian revisionist agitation is easier to justify. Yet it is precisely because Hungarian revisionism has so often insisted upon the restitution of all the lands once subject to the Crown of St. Stephen, namely, the whole of Slovakia and Ruthenia, that the Hungarian minority has been regarded with such suspicion and too often treated with intolerance. Even in the predominantly Hungarian villages, for instance, station and post office have mostly displayed nothing but the Slovak language.

During last winter it was constantly alleged in the German, and in a portion of the Hungarian, and even of the British, press that the Czechoslovak persecution of the Hungarian minority, coupled with communist pressure encouraged by the Czech authorities, was driving this minority to desperation and creating a revolutionary situation which might even precipitate international war. Unjust as Czechoslovak administration has sometimes been, the facts do not support these alarming allegations. In the

\* 571,988 in Slovakia and 109,472 in Ruthenia, according to the census of 1930.

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first place, about 70 per cent. of the Hungarians in Czechoslovakia are peasants; although some of them resented the settling of Czechoslovak legionaries in five villages in their midst at the end of the war, most of them have some land, and agricultural prices in Czechoslovakia are good. The landless peasants in Hungary itself are in a more revolutionary state of mind. The few big Hungarian landowners intensely resent the loss of the land claimed for redistribution under Czechoslovakia's agrarian reform law, but their entire estates were not confiscated, and they received some compensation for what they lost. In their eyes, however, the reversal of the feudal order of things by the Czechoslovak republic can never be condoned; they frankly complain that patriarchy has been lamentably disturbed, since the Slovak nowadays claims to be, not a menial, but a man.

The Hungarians whose grievances are most serious in Czechoslovakia are the professional classes, crippled as they are by the change in official language, and by the transformation of the one university in Slovakia, that of Bratislava, from a Hungarian into a Slovakian institution. Against this it should be observed that there is a high proportion of Jews in this Magyar middle class, who escape in Czechoslovakia from the anti-Semitic discrimination prevalent in Hungary. Though about 60 per cent. of the Hungarian minority votes for the Opposition cause, it contains no revolutionary material that is not imported—the doctors and lawyers of Bratislava and Košice are unlikely insurrectionists.

As for the legend of communist pressure, it can no doubt be explained largely by the tendency of the rather reactionary Hungarian to regard the whole western attitude of the Czechs, who are genuinely democratic and often anti-clerical, as bolshevik. Russian literature or Russian films are not unnaturally of greater interest to the Czechoslovaks, who can easily understand Russian and have always had pan-Slav literary inclinations, than to most other

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nations. The Magyars, of course, have always been anti-Russian, and it is convenient to have, in communism, a new justification for a traditional attitude. It is true that in the last elections (two years ago), while the Communist party polled only 9 per cent. of the votes in Bohemia and 8.6 per cent. in Moravia, the figures for Slovakia and Ruthenia were 13 per cent. and 25.6 per cent. respectively. Since the population in the latter province is scarcely industrial at all, and three-fifths of it is Ruthenian, Russian or some kindred stock, it is reasonable to infer that one votes communist there partly by way of voting Russian, and also of course as a reaction to great poverty. In Slovakia the size of the communist vote is to some extent merely a protest against the influence of the priests. The police are certainly harsher towards communists in Slovakia and Ruthenia than they are in Bohemia or Moravia. Even in the western provinces they are scarcely indulgent, and bureaucratic influence everywhere tends to have an agrarian, that is to say a conservative, flavour.

### III. THE SUDETIC GERMANS

IN addition to the Hungarian minority and the complicated racial diversity of sparsely populated Ruthenia,\* there are, of course, the Poles and the Germans of Czechoslovakia. The Poles in Moravia number no more than 80,000. Although Warsaw finds a great deal to condemn in their treatment, a study of the numbers of schools, the size of classes, and so on suggests that Polish, like German, education is not neglected by the republic. The Hungarian statistics are slightly less satisfactory.

Although the Hungarians and Germans often co-operate, the position of the German minority in Czechoslovakia is strikingly different from that of the Hungarians. It is politically stronger, partly because it is a very large minority,

\* The whole population of Ruthenia is barely 700,000, *i.e.* very little more than the Hungarian minority alone.

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comprising some 3,300,000 Czechoslovak citizens and 22·15 per cent. of the whole population. It is also politically stronger because, far from being a predominantly agricultural population, the Bohemian and Moravian Germans were highly industrialised long before the war; their business men were prominent in the financial life of central Europe. Although, through the methods of German settlement in the past, the Germans in Czechoslovakia are more scattered than the Hungarians, they also have a different territorial attitude. They have never formed part of any other state, and they inherit from the old Austrian days, when German was the dominant language in Bohemia and Moravia, an even greater sense of being the rightful owners dispossessed. Whereas Slovakia was only a Hungarian province of no particular interest, the Germans in Bohemia took pride in regarding themselves as Bohemians. In Moravia,\* racial and linguistic rivalries were—and are to this day—less intense, and compromise more easily prevailed in the closer proximity of mediating Vienna. But the Bohemian Germans regarded Bohemia as a precious area of German soil, in which, however, German settlement had not been sufficiently complete. They therefore believed that to keep the Czechs back and to keep them under was a condition of existence, and that the Thirty Years' War provided a timely correction to Czech intemperance.

Such views, combined with a belief in the inevitable inferiority of the Czechs, both socially and culturally, were fostered by the pan-German movement in pre-war Austria, a movement that was particularly strong among the Bohemian Germans and that also supplied the spiritual cradle of Herr Hitler. (He was physically cradled, incidentally, only a little way to the south-west of Bohemia.) In the old days the Bohemian or Sudetic Germans despised Berlin as a *parvenu* city, and looked to Vienna or Dresden as their metropolis, but with the triumph of Hitlerist ideas

\* Moravia has only about half the population of Bohemia, which is very densely populated; 30 per cent. of the Bohemians are Germans.

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in Berlin they have suddenly found their Mecca in Prussia. Ceaseless Nazi encouragement to Germans throughout eastern Europe to form a conscious bulwark against the Slav races has crystallised the traditional impulses of the Germans in Czechoslovakia.

A sentimental revolution, which many people would liken to a religious revival, was stimulated among the Sudetic Germans by the period of economic depression that synchronised with the nazification of Germany. The industries of German Bohemia were export industries *par excellence*—glass, porcelain, textiles—which had suffered severely when, at the end of the war, the great customs union provided by the Habsburg empire was transformed into a number of independent and protectionist States. Early in the 'twenties, moreover, Japanese competition began to be disagreeably felt precisely in those industries. The effects of the slump appeared to be the last straw; and owing to the new state of mind economic distress was now widely interpreted as the result of discriminatory persecution of the German minority by the Czech majority.

Now after the war, when the Czechoslovak republic was launched, it was perhaps inevitable that the Germans—like the Hungarians—should suffer, individually and collectively. They had held a privileged position, and the Czechoslovaks were determined to evict usurpers and destroy privilege. Egalitarian principles, combined with human greed and inevitable suspicion of the non-Slav population, caused Germans and Hungarians to lose land and jobs. The new civil service was recruited among the Czechoslovaks themselves, with the justification that they were most familiar with the language of the State. As in every similar situation in contemporary history, a good many abuses occurred, and chauvinist Czech societies in Bohemia were often able to bring pressure to bear against legitimate German claims. Although liberal minority laws had been enacted, and although the German minority

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never lost sight of its language inscribed in public places, incidents like that of the German secondary school at Reichenberg, which was taken over for a few Czech children, while the German boys all had to crowd into one school instead of two, caused very bitter feeling.

When economic depression came along, the greater cheapness of Czech labour often threw German workmen out of work. German propaganda complained of the contemptibly low standard of living among the Czechs, who retaliated by pointing to the importation of cheap Czech labour by German industrialists into the Brůx-Dux lignite district in the earlier industrialisation period, and asked whose fault it was that Czech wages had remained low. When, in 1935, the central government tried to relieve unemployment by launching public works, short-sighted local officials imported Czech workmen into German districts because Czech contractors could make lower tenders than Germans. German bitterness over such incidents scarcely needs to be described. Even after the agreement of February 1937,\* this sort of situation is in constant danger of arising, though the Government can afford to be a little more generous than it was two years ago. Early in March of this year the following typical instance was brought to the Government's notice. A tax office was to be built in Hohenelbe near Reichenberg, and tenders were invited. Eight were submitted by Czech builders outside the district, and they varied from 497,000 to 596,000 Czech crowns; the four submitted by local German firms varied from 657,000 to 699,000 crowns.

In the early years of the Czechoslovak republic, the German minority adopted a politically negative attitude. In 1926, however, some German parties decided to become "activists" and co-operate with the Czechs. To-day the three democratic German parties, the Clericals, Small Farmers and Social Democrats, are represented in the

\* See below.



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Cabinet.\* About a year after Herr Hitler became Chancellor of the German Reich, Konrad Henlein, a gymnastics teacher from Asch, appealed to the Sudetic Germans to form a political union based upon their German race and the leadership principle, and to protest against the activist policy. At first he emphasised his loyalty to the Czechoslovak State, declaring that he wished only to see justice for the Germans within this framework, justice especially in the allocation of state jobs, whether in government offices or on the railways, in the postal service or in the police force.

In the elections of May 1935, Henlein's *Sudetendeutsche Partei* polled just over two-thirds of the German votes, actually 1,249,530 against 610,122 cast for the activist parties, which lost fairly heavily in his favour. In spite of Henlein's moderation it soon became evident that the movement which had sprung up under his banner contained a considerable element of Nazi extremists, and consequently had very close ties with Berlin. The sentiment that animated the *Sudetendeutsche Partei* as a whole gradually revealed itself as a vague but fervent enthusiasm, not so much for Henlein, as for Hitler. This has led to ill-concealed dissensions among the leaders of the party, and has driven Henlein to abandon his original moderation, how unwillingly it is difficult to guess.

Now, the Czechs are very matter-of-fact people, very dogged, unimpressed by show, and conscious of the old anti-feudal traditions of the Bohemian townsmen who followed John Huss. They are convinced that Bohemia belongs to its Slav majority; while they have been accustomed for decades to hearing about Slav inferiority from pan-German enthusiasts, this has served to fortify their natural scepticism. The triumphs of Hitler and Henlein, some Czechs felt, were only to be expected among Germans, but others were genuinely shocked at the recrudescence, in the twentieth century, of so much militarism, and at

\* The position of the German activists was explained by Dr. Spina, one of their leaders, in a letter to the *Manchester Guardian* on May 8, 1937.

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the neo-feudal notions of superior racial castes as propounded by the most enthusiastic followers of Adolf Hitler. The Czechs were immensely proud of their first philosopher-president, Thomas Masaryk, who personified the principles of democracy, of tolerance and objective thinking—everything that the Nazis had done their best to destroy. Dr. Benes, Dr. Hodza, and Dr. Krofta, the President, Prime Minister, and Foreign Minister of to-day, are all men of academic distinction. A Czech professor once said to a Polish professor: "So long as we believe in philosophers and you in colonels, it will be hard for us to understand one another," and the Polish colonels are not so far from Masaryk as the Austro-German corporal.

If national-socialist theory was nothing very new to the Czechs, it was new to see it equipped with all the power of the rearming German Reich, and to find that every German minority district had become something of a *terra irredenta* owing to the agitation of perhaps only a few. But where the simple man in Egerland or the Upper Elbe region joined the Henlein movement because one must stick to one's people and be prepared to defend Germanism, the Czechs began to see a traitor in every Henleiner. They began to impose nominated mayors upon the Sudetic towns, where the officials had previously been freely elected. In the process of fortifying the frontiers and preparing for emergencies, Sudetic Germans were pounced upon for possible espionage, or lost their jobs in technical concerns which participated in the process of rearmament. Thus in 1936 Czech-German hostility became intensified, both within the republic and between it and the Reich.

In the autumn, however, the employment situation in the Sudetic districts began to grow very much easier. As early as June Dr. Hodza had begun to discuss with all German parties what administrative steps should be taken to ease the tension; almost immediately Herr Henlein, in a speech at Eger, denounced the Premier's advances. On February 18, 1937, an understanding between Dr. Hodza

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and the activist Germans was nevertheless published. In future the maintenance of all minority rights is to be ensured in practice; an increase in the total number of officials is already making possible the appointment of more Germans without the displacement of Czechs. The February agreement is to apply to all the minorities, German, Hungarian, and Polish alike, and should bring most benefit to the Hungarians, since their rights have, on the whole, been the most neglected. As late as March 13 of this year, one edition of the chief Hungarian newspaper in Czechoslovakia was confiscated for writing that Dr. Hodza, in negotiating with some Hungarian activists, was virtually negotiating merely with his own nominees; this sort of comment had constantly appeared with impunity in the Sudetic German press.

The German activists, whose deputies still represent one third of the Sudetic Germans, have a tremendous interest in seeing that the agreement is carried out. They hope that democratic principles are yet to be saved among men who speak German, and they have been energetically organising meetings to follow up the better employment situation, the guarantee of their rights, and the announcement, in March, of free local elections to be held in the autumn. For the moment they have had some success. But it is impossible to feel certain that the Czech-German situation within the republic is essentially eased. Greater prosperity sometimes leads to greater political intransigence. At Aussig on February 28, Herr Henlein uncompromisingly rejected the agreement of February 18, denying the sincerity of Prague, demanding complete autonomy,\* and uttering vague threats about being driven to desperation.

\* The peace settlement bound Czechoslovakia to provide Ruthenia with autonomy. Apart from the fact that the primitive state of that province made the obligation almost impracticable for years, recent attempts to realise it have caused great indignation among the Germans and Hungarians, who say: "If the backward Ruthenians have autonomy, how can our right to home rule be denied?" It is on account of their rather hypothetical autonomy that the Ruthenians are not technically a "minority".

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It would be difficult to suppose that he spoke quite independently of Berlin. Sudetic German autonomy is geographically something like nonsense, and would never be willingly conceded by the Czechoslovaks, for whom it would mean loss of control of key frontier districts. Since the German Government knows this extremely well, it appears to be discouraging any moves towards a Czech-German *détente*. While Czech optimists prophesy that the Sudetic Germans must soon become sceptical towards whispered rumours that their rescuers are at hand, continued tension during this summer might yet induce a Sudetic German revolt in Czechoslovakia, with international consequences to follow.

### IV. THE REPUBLIC AND ITS NEIGHBOURS

DR. BENES, well known at Geneva for his service to the League, has directed Czechoslovakian foreign policy since the foundation of the republic; now that he is President his influence at the Foreign Office still remains paramount. In recent years his agreement with Russia has undoubtedly aroused more opposition, both at home and abroad, than any other portion of his diplomacy. The Czech-Russian pact of 1935 was actually an answer to the Polish-German *rapprochement* of 1934 and to the failure of the project for an "Eastern Locarno". Purely defensive and fitted into the League framework though it was, it may yet be deplored on account of the suspicion felt towards the Soviet régime by the Governments of Rumania and Yugoslavia, Czechoslovakia's partners in the Little Entente. It certainly provided Nazi Germany with a very serviceable instrument of hostile propaganda. At first the Nazi press declared that Czechoslovakia was being bolshevised, and the effect on the unwilling minorities was gruesomely depicted. Czechoslovakia in fact continued to be governed by a coalition of parties, of which the strongest was that of the conservative Agrarians. There have always been Russian

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influences in the Czechoslovak army, it is true, because White Russians like General Vojzichowski had entered the Czech legions during the war and afterwards remained in the army. In the end even Dr. Goebbels has abandoned the " bolshevik spearhead " story.

The German threat to Czechoslovakia is none the less serious for that. Central Europe suspects that Herr Hitler may soon require a new sensational success, and believes that Czechoslovakia is the most likely victim. German diplomacy has been pressing upon Austria and Hungary, while making advances to Rumania and Yugoslavia. The German press has recently taken up its stand upon the more solid ground of minority hardships. Czechoslovak policy has responded promptly to the rising tide of diplomatic encirclement. First, Czechoslovakia has tremendously increased her military strength. Secondly, she has looked the minority question straight in the face. And lastly, Dr. Benes, bowing gracefully to the views of his political opponents, the Agrarians, has explored the possibility of a diplomatic *détente* with Germany; in order to facilitate such a development, Dr. Krofta has politely hinted to the Russians that Prague regards her relation with Moscow as a purely platonic affair.

What, then, does Czechoslovakia mean for the rest of the world? Should the British Commonwealth, for example, feel any concern for its fate, apart from rights and obligations under the Covenant of the League?

Beyond the two great democracies of the West, constitutional government embodying respect for civic rights is now confined in Europe to the northern fringes of the continent, to Scandinavia and the Low Countries. There are only two exceptions: Switzerland, whose trilingual state has been tested by history, and Czechoslovakia. In all central and eastern Europe it is only in Czechoslovakia that there exists a freely elected parliament where every opinion can be expressed and any criticism of the Government recorded. In Czechoslovakia alone the political

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views or the Jewish descent of a university professor will not injure his career. All States seek to justify their intolerance by appealing to the dangers of sedition and treason, but in general Czechoslovakia interprets those words as the British interpret them, and not in the manner of dictators who dare not distinguish between criticism and treachery.

As for the frontiers of Czechoslovakia, the technical arguments for preserving them very much as they are on the north and west are exceedingly strong. Wholesale revision would not abolish minorities but create new ones. Along the Hungarian frontier in the south, Masaryk himself believed in rectification; but, so long as Magyar revisionism also lays claim to the non-Magyar provinces of pre-war Hungary, Czechoslovakia is unlikely to consider concessions. Masaryk also regarded the racial and linguistic variety of the new State as a trait that should gradually make for greater understanding; he envisaged a political community embracing the advantages of old Austria without its disadvantages, its tolerance without its social inequality, its intellectual achievements without its inefficiency and obscurantism. The State he founded is 18½ years old, and if it has not yet realised all his ideals it still respects them. Yugoslavia and Poland are about as heterogeneous as Czechoslovakia, while Rumania is only four-fifths Rumanian, yet no one of them treats its minorities so well. It is due rather to its freedom than to oppression that the Sudetic German minority is able so thoroughly to inform the world of its grievances. Stretching across the map from Bavaria to the Ukraine, Czechoslovakia provides a Western bridgehead in Eastern Europe.

## BRITISH NEWS ABROAD

AT a moment when public men and others from all parts of the Empire are assembled in unusual numbers in London, when the thoughts of all races within the Realm are being turned to the preservation and development of the loose-knit political and economic entity to which they belong, a book recently published by the Oxford University Press, "The Empire in the World", will be read with special attention. Written by Sir Arthur Willert, Mr. B. K. Long, and Mr. H. V. Hodson, it is a provoking study of the constitutional, economic, and foreign concerns of the Empire. One specially arresting chapter is to be found in the section by Sir Arthur Willert. Discussing problems of foreign policy in relation not only to the United Kingdom but also to the Dominions and colonies, he points out that foreign countries are increasingly employing news as an instrument of national and international policy; and he urges that the peoples of the Empire should insist upon a thorough examination of the organisation available for the exposition of British policies and points of view to the world. As a preliminary to this examination, Sir Arthur describes, with commendable brevity and clearness, the news situation in the world as it is to-day. He writes with authority, as a journalist of wide experience in international affairs, and as former chief of the Press Department of the Foreign Office. What he tells us is startling. In a sentence, it is that, whereas for over half a century British news and British-conveyed news swamped all other intelligence in the international field, and often was without rivals, its ascendancy has been successfully challenged during the last few years in some countries, and in others its very existence is threatened.



## BRITISH NEWS ABROAD

### I. WAR OVER THE AIR

HERE indeed is a state of affairs that calls for concentrated attention and for swift and vigorous action. The struggle between the nations of the earth is in some respects no less acute and desperate than it was from 1914 to 1918. The weapons only have been changed. Some of the major issues remain; others have been added. The blood of the battlefield and all the other horrors of war settled nothing and achieved nothing. Slaughter of bodies having failed pathetically, subjugation of the mind is adopted as an alternative—and with encouraging results for many who practise it. One result is that foreign news dissemination is being extended and foreign interests are being advanced all over the earth to the material injury of British Commonwealth interests.

For over half a century Reuters agency enjoyed a paramount and apparently unassailable position throughout the world, apart from North and South America, as the carrier and disseminator, not only of British news to the Empire and to foreign countries, but also of foreign news from one country to another. Reuters' position is still supreme, but now no longer unassailed. Havas in France, the Deutsche Nachrichtenbüro in Germany (successor to Wolff since 1933, and commonly known as the D.N.B.), Stefani in Italy, Tass in Russia—these and other agencies are flooding Europe, the Near East, the Far East, Africa, and South America with wireless news services of such abundance that they cannot possibly be ordinary commercial undertakings. They depend for their existence mainly or wholly upon their national treasuries; they are used day by day on behalf of their Governments to spread abroad not only their home news, skilfully so compiled as to present their country to the world in the most favourable light, but also foreign news tendentiously tintured to serve their country's ends.

For three generations the Far East has been a Reuters

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stronghold. Up to the Great War not only British news but practically all foreign news reached Japan, China, and the neighbouring regions only through Reuters. The beneficent effect upon British prestige and British trade was substantial and enduring. Realisation of this after the war fired the Americans to invade what had hitherto been a Reuters, therefore a British, news domain. They gained a footing, but never managed to oust or even to weaken Reuters. They advanced along commercial lines, and, although they properly had the sympathy and support of energetic and growing American business enterprises in the Far East, they were not subsidised or officially inspired. Their competition with Reuters was on the whole a legitimate business competition.

But in recent times the scene has changed. The French and the Germans have established and are maintaining news machinery which could not survive for a month without the backing of their respective Governments, a machinery skilfully conducted to promote French and German political and commercial interests and, directly or indirectly, to injure those of Britain. Japanese and Russian national news services are similarly engaged, and it is nothing but the deserved reputation of Reuters for integrity and efficiency that has enabled Britain so far to hold her own against this array of subsidised rivals. Whether she can continue so to do is another matter.

In the earlier days of modern news distribution, Reuters took the lion's share of the earth, including the whole of the Far East, and left South America to the Havas agency. After the war, however, the frontiers of agency influence were substantially modified. The Far East ceased to be a close preserve of Reuters, and South America of Havas. Both spheres were thrown open to Wolff (now D.N.B.), and to the American agencies, while Reuters was admitted to South America in return for its admission of Havas to the Far East. We have seen what happened in the Far East. The converse, by way of corrective adjustment,

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did not take place in South America. The North American news agencies, with the special rates conceded to them by their telegraph corporations in the promotion of United States business in South America, were able to deliver well-edited services in abundant volume to the newspapers of Brazil, Argentina, Chile, and other republics. Reuters, having no such auxiliary aid, and being geographically at a heavy disadvantage compared with its American rivals, could make little or no use of the open door there—the counterpart, as it theoretically was, of the door which it had thrown open in China and Japan. Moreover, the French, after a temporary setback under the first terrific North American onslaught, pulled themselves together, and, by virtue of the same official co-operation as they have had in the Far East, flung into South America a service of news which for all practical purposes has restored French and Havas authority to its former eminence.

### II. NEWS IN THE FAR EAST

ON June 14 of last year the following telegram appeared in the Tokyo *Nichi Nichi*:

LONDON, June 12. Great Britain, in the Anglo-Soviet naval talks to-day, agreed on the provisions of the Anglo-Russian treaty permitting Russia to match Japan's fleet in the Pacific and complete in secrecy the Russian Far Eastern fleet, while informing Britain regarding the Russian fleet in Europe.

Russia agreed to renounce her former demands that the Far Eastern fleet be exempted from the tonnage and gun limitations in the Franco-Anglo-American treaty.

It was agreed, however, that in the event of Japan's exceeding the limitations, Russia will be permitted to match Japan without notifying Britain.

It is noteworthy that the agreement implies the British recognition of Russia's defence needs in view of Japan's Far Eastern policy.

The statement, in effect, that Great Britain had agreed to the building up of the Soviet Far Eastern fleet to an equality with that of Japan naturally created the worst impression

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in Japanese official and newspaper circles, and was calculated to embarrass the relations between ourselves and our former ally. The report was denied the following day; but in the meantime grave harm had been done.

There is good reason for believing that, while this report bore the caption of Domei, the national news agency of Japan, it originated with one of the foreign agencies already referred to, who day by day hand out to the press and public in the Far East not only news from their own countries but also telegrams from London, or telegrams purporting to have a London origin, containing intelligence which is deliberately biassed or tendentious, where it is not completely incorrect, as in the case quoted above. Its effect is to sow discord and, in particular, to misrepresent Great Britain and the British Empire.

In this connection it is worth noting that voluminous secret instructions issued by the German Propaganda Department to German agents abroad within the last three years describe the action they are to take towards foreign news agencies and foreign newspapers :

The aim of this action is to throw discredit on news agencies which are hostile to us and above all to damage as much as possible the relations between these hostile agencies and important foreign newspapers.

Further :

All disturbance created in the good relations existing between other States is indirectly to the advantage of Germany. All ousting of the news of foreign news agencies is a great gain to Germany.

These extracts speak for themselves. Another example may perhaps be cited of the anti-British twist given by these foreign organisations in their telegraphic despatches on British affairs. The following message was published in Japan, again under the Domei caption, when relations were strained between Great Britain and Italy over the invasion of Abyssinia. It bore the date-line LONDON, June 14 (1936), and ran :

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Increasing likelihood that Britain will abandon sanctions against Italy was seen by well-informed quarters here to-day as the Government manifested a steadily growing desire to keep Premier Benito Mussolini in the League and relieve the pre-vailing tension in the Mediterranean.

The British general staff, it is understood, is more worried than ever before over the situation of Egypt, Malta, and the Suez Canal, now encircled by Italian troops, while the Duce's fleet is mobilized for action within easy striking distance of the British Mediterranean armada.

With revolt fermenting in Palestine, and discontent rife in Egypt, uneasiness is growing daily all over the Mediterranean, and British soldiers, sailors, and civilians stationed in the area are reported to be speculating as to what move Italy is planning to take next.

The Government, in view of these premonitions of trouble, is believed by informed quarters to be gradually moving away from its previous stand in favour of the maintenance of sanctions, and it is widely expected that the next League meetings at Geneva will mark a definite about-face in Britain's attitude.

With abandonment of sanctions considered a virtual certainty, it is reported that British sales agents are already arriving in Rome in order to resume activity as soon as the League's economic blockade is terminated.

It would be difficult to imagine anything more adroitly designed to expose the British nation to contempt in Asiatic eyes—a nation of shopkeepers, on the one hand disliking and condemning the Italian adventure, on the other hand anxious to do business with Italy; meanwhile the British naval and military authorities are in a state of fuss and fluster the reverse of flattering to our pride and reputation as a great Power.

A further despatch published during the same period, once more with the Domei caption, and dated LONDON, July 9, ran :

The Admiralty's announced decision to recall the bulk of its fleet concentration from the Mediterranean was interpreted among observers here to-day as being tantamount to an admission that the German danger is at present even greater than the Italian menace and consequently requires the return of a large naval force to the North Sea.

Observers emphasized, however, that the Admiralty's decision was also prompted by fear that Italy would incessantly send

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notes to Britain definitely refusing to participate in the Montreux conference and the coming Brussels conference of Locarno Powers unless the British Home Fleet were recalled and Britain cancelled its mutual assistance accords with the Mediterranean States. . . .

Although expressing satisfaction regarding the end of Italo-British tension, influential quarters did not conceal their humiliation over the fact that the presence of a British force in the Mediterranean and Black Sea failed to prevent Premier Benito Mussolini from conquering Abyssinia. These circles declared that the recent events have involved strategical and political repercussions of the utmost importance. It has been proved, they said, that Italian planes and submarines are capable of not only preventing an enemy's approach to the Italian coast, but also severing communications between the eastern and western halves of the Mediterranean, thus making the British stronghold of Malta virtually worthless. It was pointed out that a network of mines and submarine defence could accomplish this task with ease.

On the same day the following telegram was published under the date-line MONTREUX, July 9 :

Fear by Great Britain that the Soviet Union may sign a separate Dardanelles treaty with Turkey if the Montreux conference fails has reportedly led the British delegation here to consider major concessions toward the U.S.S.R.

Observers declared that Great Britain fears most the conclusion of a bilateral Dardanelles agreement between the Soviet Union and Turkey completely banning the British fleet from the Black Sea during times of war.

British fear, British timidity, British weakness, British perplexity, British vacillation : in short, Britain on the down-grade as a world Power—this is the keynote of the foregoing messages, messages characteristic of what is being served up continually for the enlightenment of the millions in Japan and China. Is it to be wondered at that public opinion becomes biassed against us and that we are in danger of falling from our high estate in the eyes of peoples who long have held us in respect ?

Apart from cases such as these, of which many could be cited, the following Havas message, published in the *North China Daily News* on July 14, 1935, provides a typical

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illustration of the derogatory slant given to British news when it is compiled and distributed by foreign agencies :

LONDON, July 12. Despite numerous efforts made since 1931, the number of unemployed in Great Britain is still over 2,100,000. Financial and industrial circles see no particular improvement in the general outlook except in the bettering of international trade, toward which the return of monetary stability would be a valuable contribution.

It is pointed out everywhere, however, that the predicted improvement of French public finances next autumn, through the sweeping reforms of the government, will play an important part in general international monetary recovery.—Havas.

Observe the contrast between the British and the French situations, to the exalting of the French.

It would be mistaken and unjust to suggest that the newspapers in the Far East which publish these messages are necessarily inspired by hostility to Great Britain. The *North China Daily News*, for example, the greatest British-owned newspaper in the Far East, is above suspicion. Its devotion to British ideals does not admit of question. As for the Japanese press, with certain exceptions its inclination, like that of a vast body of the Japanese people, is fundamentally friendly to this country. Nor is there any reason for supposing that the Domei agency is wittingly or wilfully a party to an intrigue or a conspiracy to bring Great Britain into disfavour with the people and press of Japan. Formerly there were two news-collecting and distributing agencies in Japan, the Shimbun Rengo and the Nippon Dempo. In the year 1936 protracted negotiations for the amalgamation of these two agencies were completed, and they became one under the style and title of the Domei Tsushin. Domei to-day stands alone in Japan, without any competing agency, equal or inferior, to serve as a check upon it. The consequent responsibility resting upon Domei as the main channel through which foreign news from the outside world to the newspapers of Japan must pass is heavy. It is not for an outsider to say whether or no Domei is living up to that responsibility. The



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competent and the reliable judges of that in the last analysis will be the Japanese newspapers themselves. They are unlikely to neglect their duty to the public. In the meantime it is fair to assume that Domei is not actuated by any ulterior motive, and that in giving widespread publicity to tendentious French and other services it is influenced by ordinary business considerations, more than by any other.

At Domei's very door are laid down subsidised telegraphic services which in volume and cheapness far surpass anything that Reuters, pursuing its course as an ordinary trading concern, can hope to place at Domei's disposal. The services are abundant in volume, comprehensive in scope, and on the whole not badly compiled and edited. Their price to the Japanese press being a fraction of the cost of an equivalent British service, it is hardly surprising that they find a ready market and a measure of publicity that is gravely prejudicial to British interests, and that makes the British presentation of world news more and more difficult and less and less conspicuous and effective. Amongst the forces contributing to this displacement of British news must be included the services originating in the United States. Cheap transmission rates across the Pacific, and a readiness on the part of the controllers of these services to subordinate ordinary commercial requirements to larger considerations of policy, place the American services in a category second only to the subsidised foreign services as destroyers of the market for British news.

In the circumstances the marvel is, not that the proportion of British news relatively to the whole inflow of news from overseas is steadily shrinking in Japan, but that British-handled news has not disappeared altogether, and that in spite of the growing strength of the subsidised services it has not yet begun to contract in China and other parts of the Far East where the organised control of the news channels has not attained to the level reached in Japan. Thanks to the high reputation which Reuters enjoys for reliability and impartiality, and to the well-founded belief

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that politically and financially Reuters is independent, being animated by one motive only, namely, to present the news, whether British or foreign, objectively and dispassionately—thanks to all this the newspapers outside Japan are still willing to pay the relatively heavy subscriptions which Reuters is obliged to charge. They do so in the conviction that they are getting a superior article, as indeed they are. But that does not prevent many of them, as the examples have shown, from printing the tendentious telegrams of Reuters' foreign rivals and thereby fostering the growth of a widespread foreign and anti-British propaganda.

Nor can we count indefinitely upon Reuters' ability to hold the fort in this way. The monopolistic canalisation of news which has adversely affected Great Britain's position in Japan may easily find its counterpart one day in China and elsewhere. When it does, the results will be the same, unless measures are taken without delay to forestall them. In the meantime the situation is bad enough. Anti-British news is gaining a publicity outside Japan, as well as inside, that can only be checked and defeated by the delivery into the Far East of a British service capable of competing successfully with the foreign services in point of volume, comprehensiveness, and price. How this can be accomplished without importing into the British service the defects as well as the economic advantages of its subsidised rivals, the defects of official control or official influence, with all the suspicion and mistrust which they induce—how this can be achieved must be a matter for enquiry and deliberation. But that it can be achieved there is little doubt. It was achieved during the Great War, when Reuters enlarged their services to the world in general without being subjected to official dictation or official control. This freedom enabled them to maintain unimpaired everywhere, except in the enemy countries, their reputation for impartiality and objectivity, and so the better to serve the national and Allied cause.

## FACT OR SENSATION

### III. FACT OR SENSATION

THE problem of British publicity in the Far East does not stand alone. It has its counterpart in South America, and it is repeated in some form or another in North Africa, in the Middle East, and on the continent of Europe.

The corollary of the open door in China was the open door in South America. But transmission costs and other conditions were adverse there to anything more than a very limited British service. Here is an extract from a speech delivered by the Prince of Wales after returning from his tour in 1931 :

I would like to say a word about the position of the British news services to foreign countries, and I will, for example, take South America, which was the last of the great continents I visited this year. There is no actual shortage of news in South America dealing with events in Great Britain and Ireland, and this country gets a very fair share of the space in the important newspapers, but with the exception of a limited service of news sent to Argentina by Reuters, and except for a few special messages by their own representatives to a few papers, all news sent from England to Latin America is transmitted by non-British agencies. What is the result of this? The result is that by the time this news reaches the Latin American reader he sees us and our affairs through spectacles which are neither ours nor those of his own country. I most sincerely hope that some means can be found to increase the volume of purely British news to South America, and I commend this particular matter to the attention of this Association.

In consequence of the Prince's personal intervention, a sustained effort was made to remedy the deficiency to which he drew attention, and some time later, in another public speech, His Royal Highness was able to say :

I took the opportunity on my return last May to express my views in this country, and I emphasized the importance of supplying the great South American continent with fuller and more accurate reports of what is going on here. Reuters have now established a daily news service to South America, and as regards Argentina I am very grateful to my friend Jorge Mitre, of *La Nacion*, and to the *Buenos Aires Herald* for co-operating most heartily in this scheme.

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But, alas, in spite of a heavy financial sacrifice by Reuters, persisted in for nearly three years, the experiment in the end had to be abandoned; to-day South America is little better off in the matter of British news, and world news carried through British channels, than it was ten years ago. On the other hand, thanks to the French official facilities it enjoys, the Havas agency transmits to South America some fifteen thousand words a day of world intelligence, which includes British news as seen through French eyes. The Havas telegram quoted earlier in this article from the *North China Daily News* provides a fair idea of the risk to which this exposes British prestige.

It is not necessary to impute base motives to Havas. It is enough that the agency should be an honourable exponent, as undoubtedly it is, of French policy and a sympathetic interpreter of the French point of view. But its very zeal and efficiency in that rôle must render Havas unsuitable as a provider and editor of British news in any foreign land. Within the last few weeks the Secretary of the British Chamber of Commerce at Sao Paulo in Brazil, referring in the *Daily Telegraph* to the Italian propagandists who in the Levant and elsewhere "are assiduously spreading the doctrine that Britain is 'on the run' everywhere, and that the Empire will shortly break up", drew attention, as many have before him, to the highly unsatisfactory British news situation in South America. He said :

News of Britain and things British comes, for the most part, to the South American countries *via* non-British press agencies, whose news, to say the least, is often biassed.

In Brazil, for example, the only British news service is a partial one picked up from the air by one newspaper in this city. All other foreign news in Brazil is received from American and French agencies, who, naturally, are not interested in presenting facts favourable to British prestige, but are more concerned with serving up news of a sensational nature (not infrequently detrimental to British interests).

For years the British Chambers of Commerce have urged the need for British news services, inaugurated, if necessary, with official backing in their early stages.

## FACT OR SENSATION

Of news of a sensational nature, detrimental to British interests, a typical example was provided at the time of the Invergordon trouble. That episode was seized upon by at least one American agency distributing a big service in South America. It presented to its clientele throughout the continent a flaring narrative which magnified out of all proportion what had happened and which could only leave the average reader under the impression that the British navy was rotten with unrest and the spirit of mutiny rampant. One need not attribute to the men responsible for this narrative any hatred of England or any desire to hurt us abroad. They probably were animated by nothing worse than an excited impulse to produce "a colourful story" and "to play up the high lights". But in doing so they were undoubtedly guilty of misrepresenting grossly this country and equally grossly misleading the people of South America. None could condemn this more readily than responsible Americans. Within the past few weeks the United States Ambassador in London, himself an important newspaper proprietor, spoke at a public luncheon of the unfortunate fact that newspapers were often propagandists of evil. Their disposition "to play up to what is sensational instead of sound and usual, and what is remarkable and extraordinary instead of what is the habit of the people, is one of the things that tend to mislead the American public about Great Britain and the British public about the United States". The evil here rightly condemned by His Excellency was the evil inherent in the telegrams to South America about the Invergordon trouble.

The American services in South America, however, are not so prejudicial to Great Britain as the French. The not unnatural disposition of Havas day by day and week by week is to give to the people of South America, no less than to the people of the Far East and of the continent of Europe wherever the Havas service circulates, the French aspect of international politics, and to wrest from the British

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the function that hitherto Reuters have in the main fulfilled as the international supplier of world news. Its growing activity in this respect has excited the misgivings even of Americans, and within the last few years both President Roosevelt and the Secretary of State have commented adversely upon the character of the French news services in South America.

Much might be said about the French, German, Italian, and Russian wireless services in Egypt, the Levant, Afghanistan, and elsewhere, all of them working to Great Britain's disadvantage and designed to supplant or discredit British news and British influence. Still more might be said about the growth and the effect of these services on the continent of Europe. Both Havas and the D.N.B., by means of their subsidised wireless broadcasts, are supplying newspapers of all nationalities in Europe at nominal, not to say derisory, rates, services embodying, not only their own national news, but also news from the rest of the world, most of which they have acquired from Reuters but which in the process of relaying loses its Reuter complexion and takes on that of the distributing agency. The scope for mischief here can easily be seen. That it does not escape attention is clear from an article by a Norwegian journalist of standing, Mr. Henry Røsoch, who, writing in the Oslo *Aftenposten* as recently as April 24 last, remarked upon the growth of the D.N.B. and Havas services to the detriment of Reuters, and struck a note of warning. In Mr. Røsoch's opinion, the Reuter agency, which, to use his own words, has "pumped more material into the international news stream than any of its rivals, now works with great and ever-growing difficulty, and month by month it is harder for news from British sources, and news of British affairs, to find their way into that news stream".

That is the conclusion reached by a detached observer, one, presumably, more friendly than otherwise towards this country. It is a conclusion compatible with the facts, and it is one that we cannot ignore with impunity.

# THE DOMINIONS AND IMPERIAL DEFENCE

## EDITOR'S NOTE

*The British rearmament programme, and the manifest dangers abroad, have brought defence once more into the front rank of British Commonwealth problems. This article consists of two essays contributed through the ROUND TABLE groups in Canada and South Africa respectively.*

## THE CANADIAN DEFENCE DILEMMA

### I

ONE of the by-products of world rearmament has been the discovery by eleven million Canadians that their country has not yet evolved a foreign policy on which it can base a rationally planned defence programme capable of commanding the united support of its citizens.

It is no secret that the Canadian Parliament, in voting this year's defence appropriations of \$35,000,000, did so reluctantly. The estimates initially submitted to the Cabinet called for an outlay of some \$50,000,000 on army, navy, and air services. A number of the Ministers, notably the Middle Westerners, criticised the proposed expenditure so vigorously that the Cabinet itself cut the total by 30 per cent. When the reduced estimates reached the House, the Government discovered that a majority of its own supporters opposed them, a few openly, the remainder privately. So hostile was the feeling that the Prime Minister summoned a special caucus, and is said to have told his followers that they would have to vote for his estimates or take the consequences.



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In the House itself, debate was marked by evasion and an atmosphere of unreality. The Conservatives remained silent. Government spokesmen struggled verbosely to convince the House that there was nothing in the programme to indicate that Canadian participation in another European war was contemplated. The Defence Minister, Mr. Mackenzie, gave warning of the danger of hit-and-run raids by sea and air, but neglected to specify whence they would come or why. The Minister of Justice, Mr. Lapointe, advanced the surprising thesis that the proposed armament—bombers, fighters, mine-sweepers—would serve to protect the country against its communists. Again and again, Mr. King, with one eye on French Canada, asserted that there were no "commitments" involving Canada in the United Kingdom's plans for Empire defence. "What we are doing," he said, "is for the defence of Canada, and of Canada only". To which he added: "But I hope that will not be construed to mean that we are not thereby making some contribution to the defence of all English-speaking countries and all democracies"—a qualification that takes in considerable territory not included in the original Confederation pact. Only the Socialists admitted—and decried—the obvious fact that the Dominion was providing itself with the nucleus of a martial establishment able to serve as a Canadian contribution to Empire defence in an Empire war, should such a war eventuate.

In the end, only twenty-two members in a House of two hundred and forty-five voted against the estimates, but no informed Canadian was deceived into a belief that the extent of the majority indicated the real opinion of either the House or the country. The truth is that on the defence issue, as on the larger issue of foreign policy, both mind and feeling in Canada are in a state of chaos; so much so that were a war crisis to arise to-morrow the unity of the Dominion would be threatened. Slowly, reluctantly, the country is arming, but there is no united conviction either upon the necessity for armaments or upon the purpose for

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which they are intended. As elsewhere, of course, the purpose is commonly labelled "defence". But defence of what? Canadian territorial integrity? Canadian trade? Canadian neutrality? The Commonwealth? The colonial empire? Democracy? Collective security?

As a people, Canadians have not yet found the compellingly convincing answer. Hence the tendency toward evasion, toward obliquity, a tendency that must be extremely irritating to other members of the Commonwealth. And hence the danger to national unity that constantly beclouds Ottawa's approach to the question of Empire defence.

At one extreme of opinion are the avowed imperialists; at the other, the confessed nationalists. Both groups accept the concept of a sovereign Canadian State within the Commonwealth, but their interpretations of the meaning of that concept exhibit fundamental differences. The imperialist places the emphasis on the Commonwealth relationship. He advocates a common Empire front in foreign affairs and accepts the idea of automatic Canadian participation in an Empire war, with its corollary, the integration of Canadian and imperial defence. The Dominion, he says, is in real danger of attack and cannot defend itself unaided; close co-operation with Great Britain in defence, therefore, is merely enlightened self-interest.

The nationalist, on the other hand, emphasises the sovereignty of the Canadian State. He may not be wholly isolationist in his thinking, but his view is essentially that of the North American. Canadian defence policy, he agrees, should be based on Canadian self-interest, but Canadian self-interest may or may not coincide with Great Britain's self-interest. Where there is conflict, the former should take precedence. He minimises the danger of unprovoked attack on Canadian territory and emphasises the value of the Dominion's geographic position and its contiguity to the United States as defence factors. Suitable measures should be taken for the protection of the

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country's coastal areas; but a policy that contemplated military adventure overseas would in the long run merely invite retaliatory attacks on the Dominion. The Empire, he will add, is a thoroughly unnatural defence unit.

What the relative strengths of the two opinions are, no one can say with authority. Both groups are vocal, but neither, as yet, is organised politically, the cleavage cutting across existing party lines. The ultimate appeal, of course, will lie with the great mass of Canadians who, at the moment, either do not think about defence at all or do not know what to think. Nor will thinking alone settle the question; for it is pre-eminently one in which an all-important part will be played by feeling, particularly if a crisis should actually arise.

## II

ANY realistic appraisal of the influences that play upon the Canadian must commence with the cardinal factor of geography. Despite his experience in the last war, the fact that he is a northern North American makes it difficult for him to think of defence in terms of martial equipment. Subconsciously he is aware that his geographical position is his strongest protection. One North Pole, two oceans and a friendly State, which has announced its intention to protect its neighbourhood against aggression, are comforting neighbours in the pre-war world of 1937. Furthermore, the Canadian, whether French or English-speaking, knows nothing of the population pressures, the racial hatreds, the deep-seated economic stresses of the European's existence. He knows something of conflict, but the conflict of man against Nature, not of people against people. Such a man finds it difficult to understand the armed rivalries of Europe, and it is not unnatural that he should tend to isolate himself from that which he does not understand.

On the other hand, his history has made him a man

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curiously divided against himself. The French Canadian has achieved a purely Canadian point of view—hence the preponderant “nationalism” of Quebec; but not so his English-speaking compatriot. Examine the latter’s history, and two basic trends become apparent. One is an almost straight-line progress toward the evolution of a North American nation; the other, the extraordinary pertinacity with which he alone, among all the peoples of the two Americas, has clung to political connection with the parent stem.

It is not easy to explain two such apparently conflicting tendencies, but one obvious reason is the dominant rôle played by the economic self-interest of the individual Canadian in his attempt at nation-building. No society, however, can achieve vital being on the basis of self-interest alone. It is a truism that in every man there is something that impels him to seek a non-selfish, and if need be sacrificial, relationship with the world external to himself. And the Canadian, not having achieved a compelling consciousness of a common national purpose, has turned to what may be termed British-ness for satisfaction of that deep-rooted desire for loyalty to something external to himself.

That dualism explains much that is peculiar in Canadian life. It explains Mr. Bennett of the Ottawa Conference and Mr. Bennett of 1937. It explains the Canadian manufacturer who tries to choke Lancashire one minute and wraps himself in the flag that flies over Lancashire the next. It also helps to explain the cleavage between nationalism and imperialism.

This thesis, however, must be examined in the light of the changing composition of the Canadian population. In the early days of settlement, almost all English-speaking Canadians had personal or family contact with the Motherland. To-day seven out of nine Canadians are native-born. Most of these have had no personal contact with the root traditions. Their experience of life is wholly

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North American. Their self-interest is a North American self-interest. True, one-ninth of the population is British-born, but the influence of this group, though powerful, is at least partly offset by the attitude of the remaining ninth, which is neither native nor British, but foreign-born. Equally significant is racial composition. Canadians of Anglo-Saxon stock now number only 50 per cent. of the population; 30 per cent. is French; 20 per cent. derives from other races. Birth-rate differentials are such that the French proportion will increase. On the basis of the present trend, one leading Canadian authority estimates that the French may constitute 40 per cent. of the total by 1970.

There are evidences, moreover, of the growth of an emotional, as distinct from an economic, Canadianism. In its most rudimentary expression this attitude is simply a reflection of a passionate attachment to the native soil, a love of the homeland, and a willingness to sacrifice self to preserve the homeland's integrity. Despite the continued existence of economic and regional particularisms, most observers agree that Canadians have already reached this stage in their evolution as a people. The British Columbian will defend the soil of Nova Scotia, not because of his British-ness, but because he is a Canadian. This, as a matter of fact, is the one point on which the defence views of imperialist and nationalist converge. At the moment it is the one premise on which it is possible to base a defence programme that will not strain national unity.

### III

WHEN one turns from emotional to economic factors the pattern becomes less obscure. The total business capital employed in Canada is approximately \$18,500,000,000. Of this amount it is estimated that 62½ per cent. is owned in Canada, 22 per cent. in the United States, 15 per cent. in Great Britain, and ½ per cent.

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in other countries, the total non-Canadian capital being \$6,800,000,000. Canadian investments abroad are valued at \$2,027,000,000, of which sum \$1,254,000,000 is placed in the United States, \$109,000,000 in Great Britain, and \$664,000,000 in other countries. These figures indicate that so far as capital commitments are concerned the balance of interest lies with the United States rather than with the United Kingdom.

External trade (combined imports and exports for the year ended January 1937) is distributed as follows: United States 47 per cent., other foreign countries 13 per cent.; United Kingdom 31½ per cent., rest of the Empire 8½ per cent. These figures are used by both imperialists and nationalists to justify their respective positions, but again it is obvious that Canadian interest is a divided interest.

Divergence along economic lines also becomes apparent when one examines the reasons for the common desire of Canada and Great Britain for the maintenance of the political *status quo*. It is true that both countries have a vested interest in peace, if for no other reason than that both desire undisturbed possession of territory. But their territories are not coterminous. Canada is not a direct beneficiary of British economic and political control of the Empire's colonial areas. To put the matter bluntly, loss of British control over Kenya or the Malay States, for instance, would probably make little difference to the economic well-being of Canadians. Similarly it would be difficult to argue that Canada stands to gain by reason of the Union's suzerainty over South-West Africa.

It is arguable, moreover—and the nationalist so argues—that the Dominion's greatest risk of becoming involved in war lies in close association with Great Britain. Historically, since the days when both French and English fought the Indian, there never has been a purely Canadian war—that is, a war fought by Canada and originating solely in North American causes. Looking to the future, the nationalist argues that Great Britain's imperial interests

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manifestly involve the risk of international friction on many specific issues of no direct concern to the Dominion. Further, it is difficult—the nationalist says, impossible—for Canada to secure effective voice in the determination of British foreign policy, which, in turn, determines the question of peace or war.

It should be remembered, also, that there is no likelihood of Canadians' gaining anything by way of wealth or territory from even a successful Empire war. The territory under the control of Empire member States was considerably augmented as a result of the last war. Canada acquired only her war debt; and the cost of war still looms large in the minds of imperialists and nationalists alike. To date, Canadians have paid \$4,700,000,000 on their world war bill, and they are still paying at the rate of \$158,000,000 a year.

### IV

THE above is by no means a complete catalogue of the arguments in the nationalist's repertoire, but it will suffice to indicate that British-ness among the Canadians has a good deal to contend with. Nevertheless, it remains a potent force, not only in the life of the Dominion generally, but also in the current response to the defence problem. In fact, with the collapse of the hope of a genuine League collectivism there have been unmistakable evidences of a recrudescence of British, as distinct from Canadian, feeling among groups which until recently displayed ardent emotional attachment to the League ideal. One now hears a good deal about the Commonwealth's being the only league that can guarantee the world's peace.

Undoubtedly the strongest appeal that the imperialist view offers to Canadian self-interest is derived from the obvious fact that so long as Great Britain is committed to defence of the Dominion it would be difficult, if not impossible, for any European Power to launch a major attack against its shores. The force of this argument, however,



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is modified by the degree to which belief persists in the efficacy of the geographic factor. As yet there is no evidence of acceptance by the great mass of Canadians of the idea that a serious attempt at conquest of Dominion territory is likely; and there still is general scepticism towards the suggestion that military technique has developed to the point at which such an assault would be feasible. Moreover, the translation of this risk into actuality might well foster a continental solidarity, since it would be of vital consequence to North America as a whole.

Fundamental importance attaches, of course, to cultural and ideological factors; but in view of the confusion of trends, not only in Canada, but also elsewhere, too much reliance cannot be placed on these as a source of unity either within the Dominion itself or between the Dominion and Great Britain. At the moment, for instance, French Canada shows signs of combining a sympathy for Italian fascism with a positive antipathy for both communism and German nazism. So far as intra-Commonwealth relations are concerned, much depends on the relative tempos of social and political changes in Canada and Great Britain. If the latter, for example, were to swing sharply to the Left and embrace militant socialism, while the Dominion retained a capitalist economy, the shock to the British-ness of many of the most ardent Canadian imperialists would be severe.

Another obviously vital factor is the degree to which the interests of Great Britain run parallel to those of the United States. One of the cardinal assumptions of any rational Canadian defence policy is that armed conflict with the United States would put the Dominion in an untenable defence position. It follows that Canadian adherence to imperial foreign policy can never be unqualified whenever that policy impinges on the interests of the United States. Even from the purely British point of view this is probably a blessing in disguise, but the

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Canadian's consciousness of his position in this respect adds still another element to the complex that gives rise to the Canadian defence dilemma.

Canada, April 1937.

## SOUTH AFRICA AND DEFENCE

### I

FOR South Africa, as for Great Britain and the other members of the Commonwealth, the events of the past two years have made national defence a problem of primary importance. The steadily growing tension in Europe, the tragic failure of the ideal of collective security, the reversion of the Powers of Europe to a scarcely veiled system of power politics—these are the circumstances that have compelled Great Britain to proceed, at enormous cost, from disarmament to rearmament, and that make it necessary for the Dominions, not only to reckon out their contribution to the collective security of the Commonwealth, but also to plan each individually for its own protection. For the contraction of space and the new totalitarian concept of warfare involve the expansion of the area of conflict and compel the belief that in a future war, to a far greater degree than in the last one, the whole world, not Europe and its near neighbours alone, will be the battlefield. Protected though they still may be to some extent by their remoteness, the Dominions are bound to face the possibility that, instead of defending themselves by supporting a thrust in Europe, they may have to meet in their own territories an attack aimed by a land-hungry aggressor. These considerations apply to all the Dominions in one degree or another, but with especial force to South Africa.

The Union's conception of its national and international position has undergone great changes in the past few years. The Status Act of 1934 marked in an emphatic manner the acceptance by the majority of South Africans of the

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independent nationhood bestowed by the Statute of Westminster. A certain pride was felt in the attainment of this goal, together with sincere satisfaction that an ever-present political wrangle could at last be considered settled. These feelings have in the last few years passed into history, and have given place to a growing realisation of the responsibilities attaching to the privilege of independence: a nation that will not or cannot defend itself may not rightly be called independent. To the extreme Nationalist minority, independence connotes a policy of isolation and "Little-South-Africanism", of drawing a magic circle of neutrality round our frontiers and burying our independent heads in the sand. To the present Government, however, and to the majority that supports it, independence seems to demand the organisation of all our resources both human and material for the protection of our territories. Against an imperialist aggressor no declarations of neutrality will afford much protection to the mineral wealth of the Rand or the Cape's strategic gateway to the East. When a nation melts its wedding-rings to provide the sinews of war, when air fleets and submarine bases make the Mediterranean a more than doubtful link in the communications between West and East, the Rand and the Cape take a front seat on the international stage, and South Africa must look to her defences at both extremities.

### II

SIDE by side, however, with this realisation that we must be prepared to defend our "Naboth's vineyard", goes the growing apprehension that the Union's responsibilities do not end at the Limpopo, that South Africa's defence means rather the defence of southern Africa, that, to imitate Mr. Baldwin's phrase about the Rhine, our frontier lies upon the Equator. South of this line lie British, French, Belgian, Portuguese territories: among these is no threat of war, no dispute as to title or boundaries. The Union and part at least of Kenya, Tanganyika, and the Rhodesias

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afford territories in which a white population can make its home. It is, as General Hertzog significantly observed at the recent African transport conference, the business of those whose homes or interests lie in southern Africa to ensure that its peace is not shattered by the impact of European disputes. The Union contains some 60 per cent. of the white population of the African continent, and it is coming to be realised that if southern Africa is to organise itself in defence of its peace and its white populations, the leadership may well devolve upon the largest white independent State. One can see here the germ of what might be called a Monroe doctrine for southern Africa; and, although the isolationism that is still a strong factor in South African politics prevents at present any open admission of such possibilities, it is not inconceivable that for the sake, not of Great Britain, but of her own existence, the Union may find her forces fighting in a future war, as in the last, in Africa beyond her own frontiers.

South-West Africa, for instance, is not Union territory, but its defence in time of war follows inevitably from the Union Government's recent declaration of policy in regard to the mandated territory.\* An attempt by a strong European Power to seize Angola or Mozambique would be a threat to the safety of the Union and the Rhodesias, which the Governments of these territories might have to meet with a common defensive policy. Or again, the Italian seizure of Abyssinia, and the threat of a new era of imperialist conquest based on black levies, provoked serious words of warning from the Union's representative in London and Geneva as to the dangers of upheaval and unrest in Africa, dangers that compel the Union to look anxiously northwards beyond its frontiers. Briefly, the Union to-day, in considering its defensive position, is bound to consider it not less as a leading African State than as a member of the British Commonwealth.

This duality of interests accounts in part for South

\* See THE ROUND TABLE, No. 106, March 1937, pp. 445-447.

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Africa's equivocal attitude towards the forthcoming Imperial Conference. At this Conference defence is one of the main questions for discussion: the Union delegation, however, does not include the Minister for Defence, and the Union Government has made it known that, whilst not averse from the discussion of general matters affecting defence, it will not be in a position "to come to any decision on any matter of principle affecting the Union". This somewhat vague and hesitant attitude towards imperial defence is the product mainly of three factors. In the first place, the dual interests referred to above tend to hold South Africa back from whole-hearted commitment to a rigid scheme of imperial defence, which may or may not altogether coincide in the future with the development of her interests as an African State. Second, and extremely important for an understanding of the Union's attitude, is the fact that South Africa's relations with Great Britain, though cordial and co-operative, are not based upon the same unquestioning attachment to a mother country as are those of New Zealand, for example, or Australia. World collective security based on the League could have been regarded, until recent events impaired this ideal, as the most potent force linking the Union to British policy; but now that circumstances are involving Great Britain more deeply in the power politics of Europe it is the more limited bond of common interests between the two countries that moves into first place; and it is conceivable, though not probable, that these interests may diverge.

In the past few years the growth of a national consciousness, of the idea of "South Africa first", has progressed so far—and not among extremists only—that the Union Government dare not, even if it would, commit itself definitely to any combined scheme of defence that could be represented as serving the interests primarily of Great Britain and her possessions, or even the interests of the Commonwealth as a whole in preference to those of the Union. The Union is prepared in its own interests to

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allow its defence plans to dovetail into a wider scheme of Commonwealth defence, to form a passive rather than an active link in the chain of imperial defence: it will allow the wider scheme to include the smaller, but is not prepared openly to adapt the smaller to fit the wider. Lamentable though this attitude may be, the fact remains that South Africa's nationhood has not yet outgrown the narrowness of nationalism, and that her leaders, whatever their desire for fuller co-operation, must move cautiously on the path of imperial defence, lest they move too fast for those who follow and shy at every step. This consideration leads on to the third factor in the Union's present hesitations, the general election that is due next year. The influence of the Malanite party is far from waning, and there is reason to anticipate increased Nationalist representation in the next Parliament. Particularly in the present circumstances, therefore, it is beyond reason to expect the Government to provide the Opposition with the weapons that active co-operation in imperial defence would afford for use in the backveld.

### III

IF, however, South Africa's part in imperial defence remains for the present a passive one, if her rôle as the "big brother" of southern Africa has not yet emerged far out of the realm of political speculation, there is no doubt that in plans for the defence of her own territories she is embarking upon a phase of considerable activity. Up to 1934 the depression, the absence of serious international alarms, and the prevailing disarmament idealism, reduced the defence force to a condition almost moribund. In the past two years, however, there has been money to spend, the growing threat of war to reckon with, and in the person of Mr. Pirow a Defence Minister whose vigorous personality has no time for make-believe, and whose thoroughness does not mean to leave the nation's security unplanned. There are, indeed, some who fear that Mr.

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Pirow's somewhat Teutonic outlook may, if unchecked, tend towards an undemocratic, semi-fascist, regimentation of the nation for purposes not wholly military; for the present, however, the renewed activity of the Defence Department goes by no means further than what is generally admitted to be essential, a comprehensive scheme to enable us, at any rate on land, to stand on our own feet in time of war. The Government is making defence a matter of primary importance, the formulation of strategic plans is engaging the attention of the general staff, and active progress is being made with the enlargement and revitalisation of the permanent and reserve forces. Details of what is being planned and done remain prudently locked within the departmental archives, and Ministerial pronouncements confine themselves to reassuring generalities. It is possible, however, here to indicate the main lines upon which the defence of the Union is being planned. Three factors must in the future contribute the main part of our security—the British fleet, the air arm, and a small but highly mechanised land force.

Reliance upon the British navy for the protection of our coasts is a fundamental assumption of our defence policy. The Union (including South-West Africa) has some four thousand miles of coast-line to protect and possesses no warships; it has been the deliberate policy of successive Governments since the war, under agreement with the British Government, to rely, on the naval side, entirely on the British fleet. Under the agreement made in 1922 by General Smuts and Mr. Winston Churchill, Simonstown harbour is recognised as a British naval base, and the land and air forces of the Union are pledged to its defence for Great Britain in time of war. This obligation was specifically reaffirmed by Mr. Pirow in the plainest language in a speech at Simonstown on April 2 this year. On several occasions, too, in recent years the Prime Minister has referred in unequivocal terms to the Union's reliance upon Great Britain as her best friend, and during the present



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session he has reminded Nationalist members, who stung him to speech with complaints about the inclusion in the opening-of-Parliament ceremonies of the admiral commanding the Africa station, that apart from ordinary courtesy South Africa could not but acknowledge the debt she owes to a force whose mere existence saves the Union taxpayer millions of pounds a year.

The Defence Department is now making every effort to render its co-operation with British naval forces as effective as possible. The increase and modernisation of coastal defence batteries in the Cape peninsula and at important points round our coasts are proceeding apace. A beginning has already been made with the Government's £6,000,000 scheme for the Table Bay harbour extension, a scheme which, though specifically not intended to provide a naval base for the fleet, is bound none the less to be one of great strategic as well as commercial importance. Finally, as a key to the Cape's defences, Robben Island, at the entrance to Table Bay, is to become a strong military defensive position equipped with long-range heavy guns. Further, it is intended to secure the most efficient co-operation possible between the air force and the naval forces. Recent manœuvres at Singapore emphasised the impregnability against sea and air attack of a land base protected by close and efficient co-operation between ships and aeroplanes.

British ships are thus an integral part of the Union's defence plans; and the plain fact remains that, whatever theoretical right of neutrality the Union may possess, no deliberate aggressor will trouble his head about the niceties of the Statute of Westminster; it is inconceivable that South Africa should find herself involved in war without finding Great Britain at her side. Whatever the show of reluctance, reticence, and independence demanded by internal politics, the cost of translating the theory of neutrality into practice is the cost of building a battle fleet of our own. South Africa will continue to assert her freedom of action up to the moment of having to pay

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for it, and will then proceed to base her defence as before upon the British fleet.

### IV

AGAINST an enemy once landed, however, and in defence against an overland attack, South Africa must rely entirely on herself. There are here certain considerable difficulties to face. The area to be defended is wide, the population and its man-power are small; communications, owing to the conformation of the country, are not easy; the railways, which in South Africa even more than in most countries are the national life-lines, are easily cut. From these considerations follow certain conclusions. In the first place, the active defence forces are bound to be small and must be therefore proportionately the more efficient in training and equipment. Efficiency to-day means mechanisation, and plans provide for a striking force of some 56,000 men technically efficient, with machine-gun equipment, and including rifle grenade, trench mortar, and anti-tank specialists, supported by mechanised artillery; a force capable of directing a vigorous and decisive blow at any threatened point. This force will be composed of the Permanent Force, as a nucleus, together with 24 battalions of the Active Citizen Force and 25,000 quickly mobilisable Active Citizen Force reserves; beyond these will be a national reserve of 100,000 riflemen, whilst behind the lines the use of native labour for non-combatant duties would enable the combatant force to make the most of its numbers. But striking power demands mobility. A start has at last been made with a national road system, and transport by the railways, slow, sparse, and vulnerable, may be supplemented in case of need by motor transport and in some cases air transport. A crushing blow swiftly struck must replace, as the first means of defence, the guerilla tactics of Boer war days.

Finally it is recognised that, in directing and supporting such a blow, the air force must play a vital part, with

## THE DOMINIONS AND IMPERIAL DEFENCE

scouting planes, troop-carriers, and bombers. Plans provide for the support of the land force by a force of some 500 to 600 interceptor-fighters and bombers. And it is in the direction of air force expansion that progress is to-day most noticeable. As far as the training and re-organisation of the land force are concerned it is impossible, without access to confidential information, to say how much progress has yet been made from planning to execution. But it is no secret that in air force expansion considerable activity prevails. All Permanent Force officers are required to qualify in a flying course; the Government quite recently announced a scheme to provide for the civilian training of 1000 pilots in the next five years; and early this year the Defence Department revealed its purchase from the British Government, at a purely nominal price, of 100 only slightly obsolescent aeroplanes, with the promise of facilities for the future purchase of an adequate number of the most modern machines. It is natural, indeed, that as a vital factor in both sea and land defence the air arm should receive the first attention.

If, in conclusion, we consider the material resources of the Union in time of war the picture is reassuring. The Government early this year announced its intention of compiling, with the assistance of producers and manufacturers, an estimate of the national resources that could be mobilised and adapted for war purposes. In almost all war essentials the Union can make itself self-supporting. There is no question of its capacity to feed itself; it possesses an unlimited supply of coal, iron, copper, and other essential minerals, an already considerably developed explosives industry, and in the comparatively recent iron and steel plant in Pretoria the nucleus of a war-time armaments industry. It can clothe itself with its abundant wool, and, if necessary, produce cotton in the low-veld areas. There are three main deficiencies. Rubber is entirely lacking, a difficulty that can be met only by provident accumulation. Oil is available only in trifling quantities,

## SOUTH AFRICA AND DEFENCE

though this deficiency may possibly be remedied to some extent by the production of lubricant from the indigenous castor-oil plant, whilst as far as motor-fuel is concerned benzol derived as a by-product from the steel-works is already in use, and alcohol, a by-product of the sugar industry, is also used in combination with petrol as a satisfactory fuel mixture. Thirdly, for the present and inevitably for some time to come, the Union must depend for its heavy armament and big guns, and for aeroplane and motor engines, on the more highly developed industries overseas. It would be possible to expand and adapt the existing steel plant within reasonable time, but only for the making of shells, bombs, small arms ammunition, and the lighter types of war requirements. Even with these limitations, however, the Union is, from the point of view of material resources in war-time, favourably situated in comparison with some other and greater nations.

To sum up: South Africa is more keenly alive to-day than ever before to both the responsibilities and the dangers of her new-found status, and this sense of national importance is impelling her to prepare herself, as far as her resources go, to shoulder the one and meet the other. Her material and financial resources are large in proportion to the population, whilst the geographical features that increase the problems of defence increase no less the difficulties of attack. Protecting her from without, in the diplomatic and naval spheres, stands Great Britain; and though, while it remains safe to talk independence, the extremist minority take full advantage of the opportunity, if the wheel of politics should eventually place them in power their ingenuity and common sense would help them to discover good reasons for continuing, "for the preservation of South Africa's independence," the policy of co-operation which at present they condemn as serving chiefly the imperialist interests of "a foreign State".

Union of South Africa,

April 1937.

## PREPAREDNESS IN NORTHERN EUROPE

*From A Correspondent*

### I. FEARS AND FANCIES IN THE FAR NORTH

MUCH publicity has recently been given in both the British and the Scandinavian press to the alleged war danger threatening northern Europe.\*

Some weeks ago a London evening paper put before its readers a hair-raising picture of military preparations in what has always been considered one of the world's most peaceful and safest corners. As on many previous occasions, mysterious "phantom flyers" were reported to have been seen over the furthestmost polar districts of the Scandinavian peninsula; a foreign submarine had been spotted slipping out of a Norwegian fjord; Germany's war chief, Field-Marshal von Blomberg, had been discovered on a secret cruise along the coast of Norway; the Soviet Government was planning something particularly sinister at Murmansk harbour; while Scandinavian experts were holding secret meetings to work out a line of action suitable to the circumstances.† These "revelations" were taken almost verbatim from an article that had appeared in one of the monthly reviews, in which the author—quoting extensively but incompletely from certain Scandinavian papers—had given a

\* See the map on p. 486 above.

† For information on Murmansk, see a series of articles by Mr. H. P. Smolka in *The Times*, November 3, 4, 5 and 6, 1936.

His book, *40,000 Against the Arctic*, from which they were extracted, contains no evidence of Russian aggressive plans in the polar regions; on the contrary, the development of Murmansk would seem to destroy any motive for a push towards the northern ports of Norway.

## FEARS AND FANCIES IN THE FAR NORTH

somewhat startling account of the alleged "Storm Over Northern Europe". The same author had shortly before published in England an article called "Denmark's Military Plight". Taken together, these contributions might have conveyed the impression that something very serious and very sinister was afoot in the Scandinavian area. It is just as well, therefore, to state at the outset that the authority of some of the Swedish and Norwegian papers that were quoted is no higher than that of the more notorious sensation-mongering publications in Great Britain. Moreover, nothing is more misleading than half-truths.

That the countries of northern Europe have felt themselves intimately affected by the many changes that have taken place in the post-war world is true enough, and that they should seek to make the necessary adjustments in their own position is only normal. In analysing these developments, however, it is essential to differentiate between the real and the imaginary issues, as well as between the purely domestic and the international aspects of the questions with which Sweden, Norway, Denmark, and Finland are at present confronted.

The tradition of neutrality is so firmly established in northern Europe that the very suggestion of a war danger there sounds almost unbelievable. Sweden and Norway have managed to keep out of war since the days of Napoleon, and Denmark since her conflict with Prussia in 1864. Moreover, the Scandinavian countries have been among the staunchest supporters of the League of Nations since its inception, and have spared no efforts to contribute as best they could to the pacification and stabilisation of post-war Europe—sometimes even at the price of subordinating their own immediate national interests or aspirations, if by that means the common good could be advanced. That such a policy was not dictated by detached idealism alone, even though that factor should by no means be underestimated when dealing with Scandinavia, but also

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by a realisation of the value of peace and prosperity to their national well-being is only to their credit, since it shows the extent of their shrewdness and practical perception. Sweden, Norway, and Denmark are probably the only countries in the world that have actually carried the principle of unilateral and unconditional disarmament into practical effect, and have reduced their military forces to the very minimum compatible with their dignity. The case of Finland is somewhat different, since she can legitimately claim the need of a relatively strong defence force. If it is further realised that for a number of years the countries of northern Europe have been most successfully and effectively governed by socialists and liberals, whose genuine pacifism and profound abhorrence of exaggerated political and economic nationalism are an established fact, it will seem all the more strange that preparation for a possible—or, as some of their citizens consider, unavoidable—war should be looming so largely in their national life and their international relations to-day.

Yet there can be no doubt that not only in political, military, and business circles, but actually throughout Scandinavia, there is a strong and growing feeling of apprehension as to how a clash between Russia and Germany, or in fact any European conflagration, would affect them. It is over the answer to that hypothetical question, however, that opinions differ so vastly—not only regarding the scope of the possible complications, but also regarding the measures that such potentialities demand or justify to-day.

Unless these issues are seen against their historical background they cannot be judged in a true perspective. Before the war there were four Baltic States—two large ones and two small ones: the Russian and the German Empires, and the kingdoms of Sweden and Denmark. To-day there are ten sovereign States bordering on the Baltic Sea: in addition to the four mentioned above, there are also Finland, Estonia, Latvia, Lithuania, Poland,



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and the Free City of Danzig. All the new countries have been carved out of former Russian or German territory. The two Scandinavian States have also been affected by the post-war settlement. Denmark was given a slice of formerly German territory in North Schleswig, while Sweden hoped but failed to get the Åland Islands, previously in Russian possession and attributed by the League of Nations to the republic of Finland. Although the plebiscite in North Schleswig was conducted on impeccable lines, and its outcome merely meant the handing back of territory that a few score years before had belonged to the Danes, no German Government has accepted this settlement as final. Since the advent of Herr Hitler the danger on this score has naturally become more acute; but it existed before 1933.

The blow to Sweden's ambitions in not getting the Åland Islands was somewhat mitigated by the fact that, through the establishment of Finland as an independent republic, Russia—her hereditary enemy since time immemorial—ceased to be a close and uncomfortable neighbour. But even though there is no longer a common frontier between Sweden and Russia, the old Russian bogey is still kept alive among the Swedes by active German propaganda. For over a hundred years, and with astonishing perseverance, an attempt has been made to persuade the Swedes and the Norwegians that Russia covets a part of their country in order to gain access to the open sea. Though no evidence has ever been produced of any such aggressive intentions on the part either of the empire of the Tsars or of the Union of Soviet Socialist Republics, there are still many people in Scandinavia who firmly believe in "the Russian danger". The periodically recurring scares about "phantom flyers" in the distant north are one of the many aspects of this national *idée fixe*. In 1934, for instance, there were two outbreaks of the "phantom flyers" mania. Skippers and peasants somewhere near the Polar Circle reported

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that night after night they saw mysterious aeroplanes flying over them, and these were at once taken to be spies of the Soviet Government. Yielding to the pressure of public opinion, which was considerably whipped up by sensational press campaigns, the Swedish Government sent experts to conduct extensive enquiries and researches. The sum of 12,667 kronor was spent on this enterprise and nothing whatsoever was found. In more recent times, in view of the renewal of rumours about mysterious night flights, the Government again took active steps. The most up-to-date radio sound-detectors were installed, and once again the result has been nil. Involuntarily one thinks of the Loch Ness Monster, with its similar genius for being seen by almost anybody except those best qualified to establish its identity, or in fact its existence.

Assuming, however, that people are flying by night over Sweden's and Norway's polar regions, it does not necessarily follow that these aviators are Soviet spies or that they represent a serious military threat. They may, for instance, be smugglers, since bootlegging is practised on a large scale in northern and north-eastern Europe; or again they may be irresponsible young Russian pilots who venture on their practice flights beyond the frontier of their own country. Whichever it may be, it is patently unsafe to attach much importance to these "phantom flyers", about whom nothing precise is really known.

But from an internal political angle these, as well as various other, real or imaginary dangers all have their value. For many years the Opposition, that is to say the bourgeois, parties in Scandinavia have found it increasingly difficult to establish any platform on which they could effectively challenge or fight the socialists and liberals in power. These Governments of the Left, whether by good luck or good management—it seems to have been a judicious mixture of both—have been so successful and, on the whole, so cautious and moderate that no adequate issue on which an appeal to the electorate could be made

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has offered itself for a long time. Under the circumstances it could hardly be wondered at that in all the three Scandinavian countries the question of national defence was eagerly seized by the Opposition parties and converted into a far more vital issue than circumstances would appear to justify. Without a realisation of the fact that the problem of military and economic preparation for a possible war, in which northern Europe might be directly or indirectly involved, is rather a domestic than an international issue, the importance it has acquired would be hard to understand.

It must further be realised that in all three Scandinavian countries the socialist Cabinets agree with the Opposition on the principle of preparation for military or other emergencies, and the only question is really the scope and the extent of these preparations. The parties of the Left are as firmly convinced as the parties of the Right that their country must be defended against foreign aggression, and there is no conflict between their pacifist ideals and their determination to safeguard their freedom and democracy at all costs. This situation obliges the bourgeois Opposition groups to concentrate their attacks on the methods rather than the principle of national defence, and in their desire to speed up or expand rearmament they may perhaps deservedly incur the charge of over-statement in presenting to the public a picture of the possible dangers and entanglements threatening northern Europe.

There seems to be general agreement on the fact that if a conflict were to arise the following main problems would have to be faced: the military position of Denmark, the neutrality of the Belts, the sales of Swedish iron ore to Germany, and the fortification of the Åland Islands. In view of the setback suffered by the League of Nations, and more especially the tergiversations of British and French foreign policy, the necessity for the northern countries to work out their own solutions and make their own preparations is becoming more and more generally

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recognised. *Scandinavia fara da se* might be these countries' new motto; at least they are considering how they can best look after themselves in a world that seems so full of uncertainties.

### II. THE DEFENCE OF DENMARK

A MERE glance at the map will reveal how extremely vulnerable Denmark is. Consisting as it does of one large peninsula and innumerable islands of different sizes, it has a coastline of 3,500 miles; moreover, it is as flat as a pancake. Its only frontier on land is that with Germany—a dissatisfied and explosive neighbour, who has been fostering trouble across the border with increasing determination. Not only is there a German (which since Hitler's advent to power means Nazi) *irredenta* in Danish North Schleswig, but on the other side of the border are some of Germany's most important war industries and aerodromes.

Denmark is at the invader's mercy from the sea, from the air and from the land. The truth that it cannot defend itself by its own efforts against one of the great Powers has long been generally recognised. Arguments about national defence are not new in Denmark. There was a famous Danish editor and politician called Hørup, whose dictum about armaments "What use are they?" (*Hvad nytte er det?*) dates back something like two score years; and the present Minister of Foreign Affairs, Dr. Munch—who is a fanatical believer in the ideals of the League—would probably agree with him. It is very largely under his influence—not forgetting that of Hr. Stauning himself, Denmark's venerable socialist Prime Minister—that the armed forces of the country have been reduced to their present level. They consist to-day of an army of 8,100 men, a navy with a total tonnage of 17,200 tons, and 85 aeroplanes.

Recognising that, in response to the national desire,

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something must be done, the Government has laid proposals before the Riksdag, the object of which is primarily to countervail the legislation of 1932, which was still aiming at further curtailment. Twenty million kronor\* are to be spent over a period of five years on the modernisation and new equipment of the army; of this sum, 10 million kronor are granted extraordinarily, that is, in addition to the normal estimates, which amount to about 26½ million kronor annually for the army alone. The number of trained men will be increased, especially in the infantry, for which 1,100 more recruits will be called up every year. The mechanised forces are also to be increased. The provision of a special anti-aircraft unit for the protection of Copenhagen is peculiarly important, since Denmark's capital is within easy bombing reach of the German frontier. In the navy, more ships and better manning are envisaged. The normal naval estimates will be increased by 1.1 million kronor, and in addition 9 millions will be granted extraordinarily to expedite the construction of new tonnage. This is intended to consist entirely of small vessels: torpedo boats, submarines, minesweepers and minelayers. From the very nature of these plans it will be seen that the authorities have in mind the protection of the Belts; altogether 22.8 million kronor are to be spent on new ships over a period of six years, and 1.5 millions will also be spent on improving coastal defence. In order to make these concessions Hr. Stauning and Dr. Munch must have overcome, not only some deep-rooted convictions, but also a legitimate reluctance to impose new burdens on a country that is already adversely affected by the rise in the price of raw materials, none of which it happens itself to possess.

Under the circumstances, it is hardly surprising that Hr. Stauning should have expressed a certain irritation in his speeches at Lund and Stockholm at the criticisms levelled against Denmark in the other Scandinavian

\* There are 22.4 Danish kronor to the pound sterling.

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countries for not going far enough in her rearmament programme. His reluctance to enter into any military arrangements with his fellow Scandinavians, and his sceptical attitude towards the help likely to be received from them if Denmark were to be attacked, can hardly be challenged. There is not very much that Sweden or Norway could do even if they did wish to come to Denmark's rescue, and the chances of Germany's attempting to recapture Schleswig or raiding Denmark in order to obtain control of her food supplies in case of war with somebody else are too problematical to justify any deviation from their present attitude of strict neutrality.

### III. SWEDEN AND HER IRON MINES

MOST intelligent Swedes dismiss the fairy-tales of the Russian bogey. But they have evolved a different theory of the threat to their country. In case of a conflict between Russia and Germany, which to some of them appears unavoidable, they do not believe that their traditional neutrality can be maintained. The well-known conservative paper *Svenska Dagbladet* was recently expressing a very widely felt apprehension that the huge sales of Swedish iron ore to Germany would cause Sweden to become involved in a clash, and would be made the object of strong pressure from both Russia and Germany. The former, it is suggested, would attempt to compel Sweden to discontinue her exports of iron ore to Germany, while the latter would be so dependent on these supplies for the pursuit of any war it might be engaged on that an effort at coercing Sweden in the opposite direction would be equally certain. Thus, it is felt, an outbreak of hostilities might result over these iron ore mines.\*

Unlike Denmark, Sweden is a country rich in natural resources, among which iron ore is of paramount importance. The deposits are concentrated in two main

\* See, for example, *Perhaps We Shall not Have War* by Colonel K. A. Bratt (Stockholm, 1937).



## SWEDEN AND HER IRON MINES

districts: Bergslagen in the middle of Sweden and Norrland at the northernmost end of the country. It is the latter orefields (especially the two huge deposits of Kiruna and Gellivare, owned by the "Luossavaara-Kirunavaara A.B.",\* which is in turn controlled by the famous Grängesberg company) that provide most of the singularly rich ores for export, while the southern districts supply raw material for Sweden's own iron industry.

The state is largely interested in the northern ore-fields and regulates the mining; at present not more than eleven million tons may be mined annually.† In 1929, Germany took nearly eight million tons of this ore, while only just over one million tons were shipped to Great Britain. The sales to both these countries then fell very considerably; but they have been rising steadily since 1932, and last year they amounted to about ten million tons to Germany and nearly 1,340,000 tons to Great Britain. A great effort is being made by the Swedes to increase their sales of iron ore to Great Britain, both for political and for financial reasons. Forward contracts have been made, and in 1937 shipments to the British market are expected to touch the two million tons mark. Even then, Germany will remain by far the largest client, and the dangers inherent in the huge volume of her purchases would still be fundamentally unaffected.

Nearly one-half of all the iron ore imported by Germany in the course of the last five years has come from Sweden; if Germany were to become involved in a war, Sweden might prove the only possible source of supply. Whether these facts are sufficient to justify the fears expressed by *Svenska Dagbladet* and others it is difficult to say. Nor can one prophesy what would be the attitude of the Swedish Government in case of a Russo-German war, or indeed of any war in which Germany were engaged.

\* These curious names are of Lapp origin and mean "the salmon mountain" and "the grouse mountain".

† The known deposits in these fields are estimated at over 1,000 million tons.



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Opinion in Sweden is very divided on the question whether supplies could or should be continued in such circumstances.

Moreover, it is a question in which Norway as well as Sweden is involved. Its open seaport of Narvik, quite close to the mines, is the main outlet for these iron ore exports; Luleå on the Baltic, which handles the remainder, is much less convenient. And Norway's defensive position lies somewhere between those of Denmark and Sweden. With a coastline of nearly ten thousand miles it is almost as vulnerable as Denmark; on the other hand its means of defending itself are much greater. There is even less cause to anticipate any aggression than in the other two countries; but, if ever Norway were attacked, the fjords and the mountains would make the enemy's progress more than difficult. A blockade of Norway, for instance, is a technical impossibility, and her fine commercial marine—one of the largest and best in the world—could perform inestimable services in an emergency. Even Norway, however, has decided to spend an additional twelve million kronor \* on the improvement of her military preparedness, notably on the expansion of her small army, which at present consists of 5,730 men, with an air force of 96 planes and a navy totalling 23,212 tons.

One thing is certain: the desire of all the three Scandinavian countries to be neutral is so intense that it would probably dominate all other considerations. That does not necessarily mean that they have abandoned their adhesion to the principles of the League. Sweden has gone much further than Denmark or Norway in rearming and preparing for a possible emergency. She is, of course, by far the most prosperous of these countries, and the spending of 170 million kronor † per annum on national defence, which has recently been agreed by the Riksdag, comes comparatively easy to Sweden. Her present armed

\* There are 19.9 Norwegian kronor to the pound sterling.

† There are 19.4 Swedish kronor to the pound sterling.

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forces, which consist of an army of 25,000 men, a navy of 85,000 tons with 7,800 men, and 91 planes, is to be considerably expanded and modernised. A "defence staff" with a special chief for the co-ordination of all the defence services has just been created. Another important step has been the appointment of a "state commission for the economic preparation of war", with a number of affiliated organs or sub-commissions. Special attention is being paid to making the country air-minded. The famous industrialist and financier Mr. Axel L. Wenner-Gren has presented the city of Stockholm with some anti-aircraft guns and has recently established a new large aeroplane factory. The great Swedish munition firm of Bofors, in which he is interested, is also co-operating with Finnish groups with a view to helping the development of Finland's armaments.

### IV. NEUTRALITY AND COLLECTIVITY

MEMORIES of her war of liberation against Russia, and a civil war immediately following that, date back less than twenty years; after such an experience it is hardly surprising that Finland should have deemed it wise to establish a comparatively large defence force, consisting of nearly 30,000 men (not counting the various "volunteer" formations) and a navy of 16,000 tons. Despite the fact that Finnish-Russian relations have greatly improved of late and that Finland has definitely joined the Scandinavian (that is, neutral) group, a further increase in her military strength is considered desirable, and an "eight year plan" has been introduced to that effect. Perhaps the most interesting consequence of this adjustment in Finland's relations with her neighbours on the one hand, and on the other the fear of a German hegemony in the Baltic, is that once again the question of the Åland Islands has come to the fore. As a concession to Sweden, these islands, which are of the utmost strategic importance in the Baltic, were demilitarised by the convention of 1921;

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to-day there are many people even in Sweden who would welcome their refortification as an additional protection for north-European neutrality. In a recent article on the struggle for the supremacy in Scandinavia and the Baltic, the Soviet paper *Pravda* has made some very ominous references to that contingency.

Finally there is the question of the closing of the Belts. That Sweden and Denmark can make it technically impossible for foreign ships to pass into the Baltic is an established fact. Whether they would avail themselves of this possibility would depend entirely on the situation facing them at a given moment, and it is idle to speculate on what they might do. Since Germany has denounced the right of foreign ships to use the Kiel canal, the situation in that respect has reverted to that of 1914—with this difference, however, that in those days there was a strong Russian navy to counterbalance the German one, while to-day there is none.

Such, then, are some of the strategic and political aspects of a possible clash in northern Europe. Despite all their military preparations, Denmark, Norway, Sweden, and Finland with their combined strength could hardly face a real war with Germany or Russia, if either chose to attack them—which does not yet appear at all likely. Moreover, the defence forces of these four countries are much too dislocated to be capable of combining in a joint operation. They could, however, make things very uncomfortable for an aggressor, while the courage of the people of northern Europe and their attachment to their native soil would undoubtedly turn them into formidable fighters. A war against the Scandinavian neutrals could probably not last very long before other countries were constrained to intervene. Great Britain, for instance, could hardly look with equanimity on a military conflagration in that part of the world. The question is therefore one of developing the spiritual and material resources necessary for meeting the first blows—if ever

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they are to come. A far more likely eventuality, however, is that of injury—both political and economic—to the countries of northern Europe by a struggle in which they themselves were not involved. And it is in that domain that the most constructive work is being done at present by Scandinavian experts.

They are studying the possibilities of developing inter-Scandinavian trade and of taking what other steps they can to maintain the high standard of living to which their people are accustomed.\* It is significant that their trade with each other rose from 10 per cent. before the war to 27 per cent. in 1918, while to-day it has relapsed to its old proportion, namely, about 10 per cent. The problem is a difficult one, since in many trades these countries are competitors and some of their industries overlap. But the most striking aspect of "the new Scandinavism" is not so much the co-ordination of foreign policy as the strong desire to promote the maximum economic collaboration both in normal times and in case of emergency. The revival of the ideal of the Oslo Convention is a case in point. Yet here, as in so many other instances, the final decision does not rest with the countries of northern Europe. The key to their economic—and largely also to their political and military—problems is not in their own capitals, nor even in Berlin or in Moscow, but in London. Until British foreign and economic policy becomes clearer, the wisest thing they can do is to go on making the preparations and adjustments on which they have already embarked. There is no "storm" over northern Europe. But, as Hr. Sandler—Sweden's distinguished Foreign Minister—told an interviewer during his recent London visit: "Preparedness, which need not be put to the test now, is better than improvisation dictated by necessity".

\* See pp. 303-305 above.

## THE COMING IRISH ELECTION

### I. ISSUES AND PARTIES

ON St. Patrick's day Mr. de Valera broadcast two messages to the Irish abroad, which were also clearly intended for home consumption, and may be described as the first salvo in the general election campaign. In his American address he dealt solely with the Government's social programme. Our people, he said, were overwhelmingly Catholic, having the Christian faith and the Christian philosophy of life. Our faith and our reason both made it clear that a solution of the economic problem, which in other countries had been driving men to violence, revolution, and war, was not to be sought along the lines of any sort of state absolutism, whether communist or fascist. The solution must, he said, be based upon a correct appreciation of the relation of the state to the individual. The state's function, in their belief, was to preside like a just father as the dispenser of social justice, and to see that the natural resources of the nation were so distributed among private individuals, and among the various classes, as adequately to secure the common good of all. His Government's social policy was to provide work, as far as possible, for those who were willing and able to work; to secure proper conditions of labour and ensure that the tender age of children and the inadequate strength of women should not be abused; to safeguard the economic rights of the less-favoured classes, and to contribute to the support of the infirm, the widow, the orphan, and the aged; to protect the family and the home, and to establish a greater security of home life by settling as many families as practicable on the land; and finally to prevent an excessive

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expansion of cities and urban areas by ruralising industry and distributing it in as small units as possible, without unduly interfering with efficiency or unduly restricting opportunities for development. Such a programme, he said, would not be easy to achieve. It required a will on the part of the entire nation which was not likely to be secured without a great deal more education and direction.

In his talk to Australia he dealt with the position of the Free State in the British Commonwealth. Whilst the other Dominions, he said, were satisfied with their political relations with Great Britain, which were in accord with their historic origin and development, Ireland, as an ancient nation, a motherland, altogether distinct and separate from Great Britain, was in quite a different position; no relationship that failed to take full account of that fact could ever be satisfactory to the Irish people. Having denied the right of Great Britain to partition Ireland or to occupy Free State ports, he claimed that the first step towards really cordial relations between the two countries must be the frank recognition of the liberty of the whole Irish nation. The new Free State constitution would, he believed, secure that liberty as far as the Free State itself was concerned, and that would be a great step forward, but it was only when Northern Ireland came into the Irish state that good relations would be possible with Great Britain. (Like most Irish politicians, he ignores the fact that the real barrier to such a union is not Great Britain, but the difference of religion between the two areas involved—a difference which he himself placed in the forefront of his description of our attitude to questions of social reform.) He added that, as one of the motherlands, the people of Ireland were keenly interested in the fortunes of the young nations of the Commonwealth, who, with the United States, had more in common with us than any other nation. We desired to work closely with them all for the many ideals we held in common.

In spite of this solicitude, neither Mr. de Valera nor any

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representatives of his Government will attend the Imperial Conference. From an electioneering point of view it is obviously better tactics for them to remain aloof. In reply to questions in the Dail on March 31, he said it should be obvious to every member of the House that, in the existing circumstances, it would be of no advantage to the Free State to be represented at the Conference. As regards the Coronation he said, on February 24, that our attitude towards the ceremony must be one of detachment and protest while our country was partitioned and while the Coronation service implied discrimination against the religion to which the majority of our people belonged. In fact Mr. de Valera knows quite well that the only conference that really matters from our point of view is one with the British Government, which he can arrange at any time he likes. It is also obvious that the presence of an Irish delegation in London during the Coronation and the Conference might, under existing circumstances, easily lead to an embarrassing situation. If they attended the Coronation, or any official entertainments, their conduct would certainly be severely criticised by their followers in Ireland, and if they did not attend these functions it would probably cause unpleasantness in England. On the whole, therefore, it is probably safer for Mr. de Valera to remain at home. Representatives of the other Dominion Governments will probably be invited to visit Dublin after the Conference in order to discuss any questions that concern their relations with the Free State.

Mr. de Valera's recent conversation with Mr. MacDonald,\* however enlightening it may have been to both parties, has apparently had no great practical results. Of the latest edition of the coal-cattle pact much was expected by optimists, but the only fresh concessions to common sense it contained were the removal of the British duty of 20 per cent. on horses imported from the Free State, and of the Free State emergency duties on sugar and subsidiary

\* See THE ROUND TABLE, No. 106, March 1937, p. 362.



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products of British origin. While this will undoubtedly benefit the Irish horse-breeding industry, which has suffered seriously during recent years through the virtual loss of its principal market, it does not materially alter the existing situation. The Free State Government are still faced with the dilemma that all the foodstuffs consumable by the inhabitants of the Free State can be provided out of five million acres of our arable land, and that the best, and practically the only, customer for the produce of the remaining seven million acres is Great Britain. They are becoming increasingly conscious of this fact. Meanwhile, Mr. de Valera, though loudly proclaiming that no compromise can be considered, continues to pay over the land annuities in the most unsatisfactory way possible.

His recent statements indicate that his appeal for re-election will be based on a request for ratification of the new draft constitution and of the policy of external association with the British Commonwealth,\* a continuation and extension of his present economic policy, and promises of further social reforms. On this programme his return to office with an independent majority is virtually certain. The re-emergence of prosperity—in many cases more apparent than real—occasioned by the establishment of many small industries throughout the country, the process of land division among small-holders, the unemployment grants of various kinds, and the ambitious house-building programme, will all help to secure the Government's return. The ordinary man in the street is not really much concerned about such questions as external association or the unity of Ireland, which he is apt to regard as the politician's business, so long as they do not directly affect his material welfare. It is true that conditions are bad in our agricultural slums, such as West Cork, Kerry, and Connemara, but the people in these districts are long used to hardship and thankful for small mercies. They manage to eke out a miserable existence on subsistence farming and the dole, or by

\* See THE ROUND TABLE, No. 106, March 1937, pp. 348-356.

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obtaining employment on schemes of official relief work such as land drainage and road repair. The thinking minority, of course, realise that the fountain of public finance is not inexhaustible, and that it cannot continue to play indefinitely on the present scale, but their views will not, unfortunately, decide the issue.

There are also a considerable number of people who agree with the view, expressed by Mr. Frank MacDermot in the Dail on March 4, that the public interest is on the whole best served by the Government's remaining in office for another term, for the reason that although the Government have learnt a great deal since they took office, their political education is still incomplete. Moreover, Mr. de Valera is probably the only political leader in the Free State who could, if he wished, make a lasting settlement with Great Britain, and he is undoubtedly the only person who can count on an overwhelming support from public opinion in dealing with the terrorism practised by the I.R.A. It is notorious also that his Government as a whole have learnt the necessity for close and friendly relations with Great Britain. Mr. MacEntee, the Minister for Finance, recently said in a public speech that those who could bring such relations about would render good service, not merely to Britain and Ireland, but to humanity. It also must not be forgotten that the Irish people do not easily change their allegiance, and that every political leader we have had in modern times has enjoyed a life of power of at least ten years. Mr. de Valera is not likely to prove an exception.

For all these reasons he will probably secure the support of a large body of moderate opinion, which will more than make up for the loss of the extreme republican vote he received at the last election. These extremists will find themselves in a dilemma, because if they do not support Mr. de Valera's party they must vote for one of the others, whom they equally detest, or run candidates of their own, which will only display their weakness. In any event it

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may be doubted whether they have sufficient funds to contest more than a few seats. Probably they will not vote at all, but will confine their activities to some form of high-sounding resolution, such as that recently passed by the National Association of Old I.R.A., an organisation of retired warriors, which demands that the Government should "immediately re-establish the Republic proclaimed in 1916". Such declarations are the current coin of Irish politics and need not be taken too seriously. The Government have recently shown no inclination to court extremist support, and in fact banned two I.R.A. meetings at Easter.

The election programme of the United Ireland party, which has been rather inaccurately described by Mr. Cosgrave as one of "promise not promises", certainly makes a bold bid for popular support. On this occasion its leaders are clearly determined not to be outbid by Mr. de Valera. It promises a prompt settlement with Great Britain combined with whole-hearted and sincere membership of the Commonwealth; the derating of agricultural land; a 3-per-cent. recovery loan for the farmers; definite planning of industries indigenous to the land; tariffs, subsidies, and loans if necessary; the removal of taxes on raw materials and food; together with family allowances, life assurance benefits, and retiring pensions for industrial workers. At the same time, Mr. de Valera's economic policy is not to be unduly disturbed, government control is to be reduced to a minimum, the school age is to be raised to sixteen, education is to be further endowed, and greater facilities provided for recreation and sport. Finally, the usual pledges are given to resist communism, establish social justice, abolish partition, and reduce taxation! In short, it is a revised version of Mr. de Valera's promised millennium *plus* frank and friendly co-operation with the British Commonwealth, but it does not offer any prospect of relief to the harassed taxpayer. The difference between the two principal parties on economic questions is now one of tactics rather than strategy, because the Fianna

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Fail party practically admits that external, namely British, markets are still essential to our economic prosperity.

The Government press, no doubt with its tongue in its cheek, describes the United Ireland programme as an audacious and dishonest attempt to bribe the electorate, and Dr. Ryan, the Minister for Agriculture, alleges that it would increase expenditure by an additional £17 million a year. Although no doubt the settlement of the dispute with England would be of great financial benefit to the country, the carrying out of such a programme would certainly be very costly. One is rather forced to the conclusion that Mr. Cosgrave has outbid the Government for the purpose of raising the stakes rather than winning the game. Mr. de Valera's party indulged in exactly the same tactics in 1932, so they cannot now complain if Mr. Cosgrave follows suit.

It may be doubted, however, whether the United Ireland party would not have been wiser to ignore details and confine themselves to the essentials in which they differ from Fianna Fail, leaving the latter to reap the results of their extravagance and their incapacity to arrive at a settlement with Great Britain. Such a waiting policy, if not immediately successful, would certainly be more likely to bear substantial fruit in the future. In a speech at Cork on April 3 Mr. Cosgrave wisely emphasised that a settlement with Great Britain was the chief feature of his party's policy in the election. That policy was to reconstruct the national economy on a sound and enduring basis devised to secure greater value for agricultural production. They asked for no more and would be satisfied with no less than free entry of their products into Great Britain on equal terms with those of the other members of the Commonwealth. The negotiation of an agreement to that effect was not beyond the ability of an Irish Government, and would bring help and courage to the finest peasantry in the world, now sunk in hardship and misery. Denying that such a settlement implied surrender, he said that Mr. de Valera's

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Government, with its coal-cattle pacts, had substituted a system of annual piecemeal surrender for a determined effort to end the whole business. The organisation of Mr. Cosgrave's party is unfortunately not as good as his arguments, and they will find it very difficult to meet the financial strain of a general election.

If their prospects are not bright, those of the Labour party are even worse. Ever since they allied themselves with Fianna Fail their prestige has decreased, and they will be lucky if they retain their present miserable representation. Outside the cities their power is negligible. Their programme, as officially proclaimed, is to secure a more even distribution of wealth under state control, and a share in the direction and control of industry by substituting public utility corporations for limited companies. They strongly, and rightly, repudiate the vague general charge made against them that they favour communism, but they lack intelligent leadership and a clear policy. One reason for their weakness is the defective organisation of the trade union movement, which is a second-rate copy of that in Great Britain and bears little relation to the realities of Irish life. But their principal weakness is the fact that of necessity their policy is primarily social rather than national. Whilst a political showman of Mr. de Valera's ability is able to beat the anti-British drum and at the same time blow the social reform trumpet, he can always secure a larger audience. In the next Dail he will probably be entirely independent of Labour support, and this is all to the good. The number of Dail members will be reduced from 153 to 138, owing to the Revision of Constituencies Act, passed in 1935, and the abolition of university representation in the Lower House.

One serious result of the general election is the announcement by Mr. Frank MacDermot, the Independent member for Roscommon and formerly a Vice-President of the United Ireland party, that he does not intend to seek re-election. He is one of those rare people who place principle

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before party, and it is no exaggeration to say that his speeches have been among the most thoughtful and valuable delivered in the Dail. He has brought to its deliberations a spirit of candid courage and an international outlook on affairs which have been both stimulating and unique. It is to be hoped that his decision does not mean his complete withdrawal from public life. If the new Second Chamber is to be of value it should provide a seat for such a man.

### II. THE NEW CONSTITUTION

THE draft of the new constitution, after much delay, was finally published on May 1. It declares that the new Irish state shall be known as Eire, and shall comprise the whole of Ireland, but that "pending its territorial re-integration" its jurisdiction shall extend only to the existing Irish Free State. The new head of the state, to be known as the President, is to be elected by a direct vote of the people and to hold office for seven years. Any citizen over thirty-five years is eligible for election to this office, but he must be nominated by twenty members of the Houses of Parliament or by four county councils. He shall not be a member of either House. His principal functions will be to summon and dissolve the Dail or House of Representatives, to sign and promulgate laws, to exercise the supreme command of the defence forces, to pardon and commute punishment, and, with the approval of the Government, to send messages to the Houses of Parliament on matters of national or public importance. He shall not be answerable to either House for the exercise of the powers and functions of his office; but in the event of his impeachment for treason by two-thirds of the Senate his conduct may be reviewed by the Dail and, if two-thirds of that body declare the charge sustained, he may be removed from office.

The Dail is to be elected by direct adult suffrage under proportional representation as at present. The Senate is to consist of sixty members, eleven of whom will be



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nominated by the Prime Minister. Of the remaining forty-nine, the National and Dublin Universities, who will have no representation in the Dail, will elect three each, and the remainder will be elected from vocational panels by an electorate consisting of candidates for membership of the Dail who received more than five hundred first-preference votes or were returned unopposed at the last general election. The Senate will have power to delay Bills, other than money Bills, for a period of three months, and power to amend legislation, subject to the right of the Dail to reject such amendments.

Any Bill purporting to amend the constitution must be submitted to a referendum and approved by a majority of the people before it becomes law. Any other Bill must be submitted to a referendum if a majority of the Senate and not less than one-third of the Dail petition the President, and if he agrees that a referendum is necessary. A majority of votes at such a referendum, not being less than 35 per cent. of the voters on the register, will be necessary to veto a Bill.

The Prime Minister will be appointed by the President on the nomination of the Dail, and the Government on the nomination of the Prime Minister with the approval of the Dail. The members of the Government must be members of the Dail or Senate, but not more than two may be members of the Senate. Provision is also made for a new body consisting of "elder statesmen", to be called the Council of State, whose duty it will be to aid and counsel the President in relation to the exercise of certain of his powers and functions. It will consist of the Prime Minister, the deputy Prime Minister, the Chief Justice, the President of the High Court, the Chairmen of the Dail and Senate, former holders of any of those offices, and such other persons as may be appointed by the President.

In respect of the judiciary there is little alteration in existing arrangements. The decision of the Supreme Court shall be final and conclusive, and the President



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may, after consultation with the Council of State, refer any Bill to the Supreme Court for a decision upon its constitutional validity. Article 2A of the existing constitution, under which the special military courts function, is not re-enacted, but provision is made for the setting up of special courts where the ordinary courts are inadequate to secure the effective administration of justice and the preservation of public peace and order. A declaration of fundamental rights lays down that the state guarantees the rights of expression of opinion, religious liberty, private ownership, unarmed assembly, and the protection of the family as the basis of social order. Dissolution of marriage is forbidden, nor will a divorce obtained elsewhere be recognised.

The constitution contains no mention of the King or the British Commonwealth, but provides that

for the purpose of the exercise of any executive function of Eire in or in connection with its external relations, the Government may, to such extent and subject to such conditions, if any, as may be determined by law, avail of or adopt any organ, instrument or method of procedure used or adopted for the like purpose by the members of any group or league of nations with which Eire is or becomes associated for the purpose of international co-operation in matters of common concern.

In short, the principle of external association with the British Commonwealth, embodied in the legislation of last December, is to be continued, and the Free State, a republic in all but name, will apparently remain a member of the British Commonwealth and recognise the King for external purposes so long as it pleases its Government to do so.

The draft constitution is to be submitted to the electorate at a plebiscite simultaneously with the general election, and, if approved by a majority, will come into force within six months. In a broadcast address, on the eve of its publication, Mr. de Valera said that no one, he hoped, expected that with its adoption the national goal had been reached. There were many injustices that it could not directly remove: the partition of the country, the British occupation

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of portion of its ports, and the exaction by Great Britain of moneys which they in the Free State held not to be due. Legitimate dissatisfaction with these injustices would remain, and different parties would continue to propose different policies for dealing with them. The constitution as drafted would fit and not pre-judge whatever policies the people decided to adopt with regard to these matters. Within its framework domestic peace could be assured and, in the words of its preamble, "the unity of our country restored, and concord established with other nations". Unfortunately its enactment will, in fact, leave us farther than ever from these essential ends.

### III. THE BUDGET AND AFTER

FOR obvious reasons everyone expected Mr. MacEntee to introduce a popular budget, and he did his best to justify such expectations. For the coming year he estimated revenue at £31,741,000 and expenditure at £34,214,000. From the expenditure he deducted £1,970,000 for capital expenditure to be repaid from borrowing (this includes £1,296,000 for half the cost of export bounties and subsidies on agricultural produce due to the economic dispute with Great Britain), and £1,200,000 for over-estimation, making a net expenditure of £31,044,000. Out of the balance thus available he allocated £690,000 to reduction of taxation and other concessions, leaving an estimated surplus of £7,000. The remissions and concessions include fourpence a lb off tea, twopence a lb off butter, a farthing a lb off sugar, sixpence a cwt off imported wheat, £200,000 for widows' and orphans' pensions, £40,000 for pensions to the civil war veterans of the I.R.A., £43,000 for improved postal services and reduced charges, £30,000 for reduced stamp duty on bank notes, and—final mercy—£1,000 for minor income tax concessions. Last year, revenue showed a final surplus of £1,144,523 over expenditure, and in general the returns from duties and taxes greatly exceeded expectations. The

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net state debt now stands at £27,767,000, an increase of £5,737,000 since March 1932, when the present Government took office. This increase has been principally caused by the state's acceptance of half the burden of the land annuities, by the increased grants for housing, and by the additional responsibility incurred by the state for primary school teachers' pensions.

Mr. MacEntee described his budget as proof that, in spite of the British penal duties, the condition of the people had improved steadily, and that by prudent management and careful foresight the Government had increased the national estate, so that to-day "our little community was stronger in will, stouter in heart, and more confident of its future than it was five years ago". But of course this is not the whole truth. The Irish farmer is now paying half his former land annuity to the Free State Government, but he is also paying more than the whole amount of his former land annuity to the British Government by way of penal tariffs; finally, as taxpayer he is paying a considerable portion of the cost of the export bounties and subsidies necessary to maintain his position in the British market, and he is getting poorer prices for his livestock and farm produce into the bargain.

So grossly has the economic situation been mismanaged that quite recently the Government had to import a considerable amount of New Zealand butter to meet an acute shortage here due to over-exportation. This butter was purchased in Great Britain at ninety shillings a cwt and sold here at one hundred and forty-five shillings a cwt. In reducing food taxes Mr. MacEntee has acted wisely; for nothing has made his Government more unpopular than the increased, and rapidly increasing, cost of living, which has created and will continue to create labour unrest and strikes. As Mr. Cosgrave pointed out in the subsequent debate, however, the budget reductions represent a saving of only about sevenpence per week to a family of six. The official cost-of-living figures take no account of the burden

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imposed on consumers by the flood of tariffs, which continues without sign of abatement, although Mr. Lemass, the Minister for Industry and Commerce, recently announced that the Government's present programme of industrial development was nearly complete.

Meanwhile their agricultural policy, which involves the forced production of wheat, is certainly reducing the dependence of the British Isles on imported foodstuffs, at the cost of the Free State taxpayer and consumer. The whole tendency of the Government's policy is to develop industry at the expense of agriculture, and the long-period result will probably be a decline in the Free State population, an increase in the gross output of our agriculture regardless of the cost to the farmer, and therefore a poorer as well as smaller population with an increasing export surplus. We shall go on producing at increasing cost and diminishing profit, while Great Britain continues to protect her own farmers and collect the land annuities at the same time.

The tide of emigration from the Free State to Great Britain has actually quadrupled during the last six years and is still increasing. The demand for Irish labour, particularly female labour, will increase when the population of Great Britain becomes stationary in the near future; this will exert an adverse indirect effect on the true rate of increase in Ireland, because the women who emigrate are practically all potential mothers. Irish labour has always been extremely mobile. It poured across the Atlantic to America during the nineteenth century in spite of many difficulties. The journey to Great Britain is short, no restrictions exist, and the lower cost of living there is attractive. It is therefore difficult to see how this new migratory movement can be stopped without restrictive legislation, which would be highly unpopular and very difficult to enforce. It may well prove to be the Achilles heel of Mr. de Valera's Administration and a difficult problem for his eventual successors.

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### IV. REPERCUSSIONS FROM SPAIN

MEANWHILE the Spanish civil war continues to have repercussions in the Irish political arena.\* During February the Government introduced a Bill to carry out the agreement arrived at by the London Non-Intervention Committee, to which the Free State was a party, for the purpose of preventing the despatch of volunteers or war material to Spain. The Opposition took this opportunity to demand that the Free State should sever diplomatic relations with the Valencia Government. Their argument was that our national traditions left us no option but to declare that we were wholeheartedly and unmistakably on the side of General Franco, although they have apparently dropped their former proposal that the Free State should recognise his Government. While they admitted that positive intervention of any kind was inexpedient, they contended that it was vital, lest our own people should be misled, that the moral support of the Free State should as far as possible be given to the Burgos Government.

The most vehement attack on the Government during the debate was made by Mr. Patrick Belton, an Independent member, who is President of the Irish Christian Front, and who proposed that the Bill should not be proceeded with until the Free State Government recognised General Franco's Government. Mr. Belton, who is the stormy petrel of Irish politics, has belonged to nearly every party in turn and to none of them for long. The Irish Christian Front is avowedly a non-political body whose ostensible objects are to protect the interests of Christianity in Ireland and to prevent the spread of communism. It has no connection with General O'Duffy's Irish Brigade and has confined its Spanish activities to the supply of ambulances and medical supplies to General Franco's forces. Mr. Belton's speech was, however, strongly

\* See THE ROUND TABLE, No. 105, December 1936, p. 162, and No. 106, March 1937, p. 364.

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political in character, and he threatened to mobilise public opinion against the Government on the totally false ground that they were favouring the cause of the Valencia Government. It thoroughly deserved the caustic comment of Mr. Frank MacDermot that such an attitude was tantamount to "cashing in on Christianity"; and certainly on this occasion the Church had every reason to say "Save me from my friends".

Mr. James Dillon put the position of the Opposition more clearly and fairly when he said that they believed that the forced passage of the Non-Intervention Bill at the same time as the return of the Irish Minister to the Valencia Government was bound gravely to misrepresent the moral position of our people, and to suggest to the whole world that here, in a Catholic democratic country, there was grave doubt whether Franco or Caballero was in the right.

Mr. de Valera, replying for the Government, in a lucid and statesmanlike speech, said that he had no doubt whatever that if the Spanish people were left to themselves they would settle the question in the right way. He was strongly in favour of the non-intervention policy; for what we did other nations would do also, and whilst the amount of assistance we could give was relatively small, the harm that could be done by other nations was relatively great. Intervention, he said, would be bad for the Free State, bad for Europe, and bad for Spain. He added that he detested communism, but fascism, if not equally bad, was a desperate alternative. He hoped the Free State would be saved from making a choice between them. Diplomatic relations, he pointed out, did not imply sympathy with the policy of the country with whom they were maintained.

Mr. MacEntee, the Minister for Finance, in a remarkable speech at the close of the debate, stated that in the event of another European war, in which Great Britain was involved, it would be impossible for the Free State Government to guarantee immunity from air attack or to maintain an attitude of neutrality. For these reasons it was, he said, the

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duty of the Government and the Dail to pass the Bill so that they might keep this country out of the Spanish conflict and prevent it from engulfing Europe.

Mr. de Valera has acted very wisely and correctly over this difficult question. A smaller man might have allowed himself to be stampeded by political opportunists, like Mr. Belton and his journalistic allies, who have done their best to embroil the Free State in the Spanish civil war regardless of the consequences. On the contrary, he has honoured our international obligations and loyally adhered to a common policy directed to maintaining peace in Europe in face of the obvious temptation to strike an attitude and proclaim himself more Catholic than the Pope.

On the nomination of the Free State Government ten Irishmen are acting as official observers on the French frontiers and elsewhere on behalf of the Non-Intervention Committee, and the Free State has agreed to contribute its share towards the expenses involved. The Irish Minister to Spain, who at present resides at St. Jean de Luz with those of other nations, is no doubt technically accredited to the Valencia Government, but in practice he is really an observer and an intermediary between the Free State and Spain. The presence of Irish belligerents on both sides in Spain raises questions that demand his constant attention. Already fourteen Irishmen have been killed and thirty wounded fighting for the Valencia Government, whilst several of General O'Duffy's Brigade have perished on the other side. Like many other European nations, we seem to be settling our aggravated domestic quarrels on Spanish soil. If communism ever becomes a force in this individualistic country it will not be defeated on the battle-fields of other countries, but in the slums of our own cities. The best remedy for a disease that has its origin in social discontent is social justice at home and not foolish adventures abroad. Mr. de Valera must be given full credit for realising this fact.

The Irish Free State, May 1937.



## AMERICA: AT HOME AND ABROAD

### I. THE NINE OLD MEN

ON a sunny February morning this year, the Washington newspaper correspondents were walking in groups past the lovely portico of the White House and into the executive offices of President Roosevelt, for their twice-weekly press conference. At another time it would be interesting to digress into a description of this press conference; for on two occasions each week the Chief Executive of the United States submits himself to a verbal cross-examination, without warning or preparation, from some 125 more or less keen-witted newspaper correspondents from all parts of the United States and a few from abroad.

But the digression will have to wait. A few of the more observant reporters, on this Friday morning in February, noticed several glossy, official motor-cars in the White House drive. Evidently a Cabinet meeting was under way; but the Cabinet doesn't meet in the morning. Evidently, then, some crisis had arisen. The reporters cooled their heels for half an hour in the lobby.

Finally they were admitted into the President's own circular private office, decorated with ship-models and old sea prints, where Mr. Roosevelt surveyed them from behind an enormous desk laden with small images and trinkets like a puppet stage. Without warning, the President began to read a Message to Congress, proposing the "reform" of the judiciary. Then, and then only, did more than two or three intimate associates learn that Mr. Roosevelt was proposing to "pack" the Supreme Court—or to "unpack" it: the phrase is dependent on viewpoint and interpretation.

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Since that sunny morning of February 5, the Supreme Court question has been the dominant public preoccupation of the American people. Quite suddenly, all the emotions of the late and unlamented presidential campaign have returned. The line-up, broadly speaking, between the "haves" and the "have-nots" is once more exposed in this issue. Mr. Roosevelt has the support of some obedient and well-disciplined members of Congress—perhaps half of the Senate, though by no means a comfortable margin, and presumably a larger majority in the House. He has the support of organized labor in both conservative and liberal wings; he has the support of the less conservative farm organizations; he is joined by a number of venturesome lawyers and law teachers; and with him, as in the November election, there appears to be a large number of "common men", who believe the President is their friend, and will trust him against what some of them regard as judicial dominance.

The point of greatest difference from the November campaign is the nature of the opposition. This time the Republicans are keeping very quiet. The opposition to the President's plan in the Senate is led by two formerly loyal Democrats, one of them a well-known liberal, Senator Burton K. Wheeler, of Montana; and of the Democratic total of 76 members in the Senate, some 30 at least are "off the reservation".

President Roosevelt's proposal was typically bold. His Bill empowers him to appoint, until the total number of justices reaches 15, one new justice for each member of the Supreme Court—now fixed at nine—who shall not have resigned within six months of his seventieth birth day. A similar authority to appoint new justices in the lower federal courts, up to a total of 50 justices, is also proposed.

Since there are now six justices, or two-thirds, of the Supreme Court who are over 70, the President's plan would give him authority for a wholesale re-making of what is

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intended constitutionally to be a co-ordinate and independent branch of the government. If none of the present justices resigned voluntarily, there would be a 15-man court. Three of the present nine justices are known as "liberals" and have voted for the flexible interpretation of the constitution that the President seeks. They have supported his measures except in those cases—not a few—in which the New Deal laws were egregiously in violation of the basic law. Thus President Roosevelt's re-made Court would be composed of his six new justices, who would have to be confirmed by majority vote of the Senate, the three "liberals", and the other six members. The six new appointees, plus only two of the present "liberals", would constitute a clear majority to support New Deal legislation—if it is assumed that, after being nominated to the high tribunal for life, they would continue in the convictions they held before appointment.

Looked at from any viewpoint, President Roosevelt's proposal was startling, and to many sincere Americans it seemed brutally destructive of our constitutional system. For a century and a quarter, the Supreme Court has exercised the right to veto acts of Congress on the ground of constitutionality. Broadly, this power has been exerted in two directions: (1) to protect the people against violation of their civil liberties, and (2) in a strict interpretation of the constitution which has held up for years or even decades many useful social and economic reforms. Despite some chafing at the Court's checks in every period of active social reform—as in Theodore Roosevelt's time—nothing has ever been done to alter its authority. Proposals for restricting its power in one way or another have often been made, but always rejected. Indeed, the Supreme Court, as the protector of the sovereign and somewhat mystic constitution, has come close to being the sentimental Sovereign of these United States. An air of sanctity has surrounded the tribunal. Its justices have nearly always been old men, elder statesmen. They have

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embodied the ultimate assertion of a fundamental American principle that curbs must be placed upon democracy. Checks and balances, which run through American government from top to bottom, find their highest expression in the Supreme Court. To lay violent hands on this tribunal, then, was to enter the holy of holies.

Yet there are many people who find much to criticize in many decisions of the Supreme Court. It is a striking fact that witness after witness, appearing to speak against the President's proposal before the Senate Judiciary Committee, has begun by saying : "Of course, I don't agree with some of the recent decisions of the Supreme Court". Many of these witnesses have advocated even more drastic and permanent reform of the Court than the President proposed—but by the constitutionally established process of amendment, rather than by "court-packing".

The Court's authority has been greatly weakened by its numerous 5-to-4 decisions on grave questions. When four justices—in most cases the four included the Chief Justice and three of the most eminent jurists on the bench—declared that some act of Congress or a state legislature was constitutional, and only five thought it unconstitutional, the Anglo-Saxon principle of majority rule was placed under grave strain.

Some of these hair-line decisions, as in the outlawry of the New York State minimum-wage-for-women law last year, seemed to be bad law and worse social politics to some of the more conservative outside authorities. When it was recalled that social progress in the United States—during a time of crisis when even democratic government might be at stake—was at the mercy of one man in a group of nine justices of very uneven qualities, citizens might well question the principle of judicial veto. Eminent minority justices on the Court itself did not hesitate publicly to accuse their colleagues of voting in accordance with their "personal economic predilections". Steadily through 1936 the Supreme Court's prestige was slipping fast.

## THE NINE OLD MEN

Then came President Roosevelt's triumphant re-election. On the week-end after that victory, the President, his Attorney-General—an amiable hack politician, Homer S. Cummings—and two brilliant young brain-trusters, Tom Corcoran and Ben Cohen, set to work to get around the obstacle of the Supreme Court. From this group came the plan for appointing new justices in case those over 70 did not see the light and resign. The plan has all the defects of its cleverness. It is clearly constitutional, and fully within the power of the President if he can persuade Congress to follow his advice. On over half-a-dozen occasions American Presidents and Congresses have altered the size of the Supreme Court, sometimes with political motive. But never have they done so with so deliberate a motive and to such an extent as is now proposed.

For nearly three months, now, the plan has been under the close scrutiny of Congress and the people. The Senate Judiciary Committee has just finished protracted hearings, and in the course of a few weeks will probably report the Bill out to the floor of the Senate, although it is still uncertain whether a recommendation for enactment will be attached. And, as the world knows, even after a measure is out on the Senate floor, it may be delayed infinitely. Before the Norris amendment, which in 1933 ended congressional sessions with fixed dates of adjournment, filibustering was a potent weapon, for Senators could simply talk until the compulsory date of adjournment had come. Now the possibility of talking a Bill to death is not so great, but a powerful minority can block a vote in the Senate indefinitely. Hence the opponents of the Court plan, who have admittedly as many as 40 out of 96 votes, are strong enough to defer action until exhaustion sets in or a compromise supervenes.

A month or two ago it looked as if the President would have his way in the end. He was—and is—displaying a formidable combination of Dutch patience and stubbornness.

## AMERICA : AT HOME AND ABROAD

Many a time before, Mr. Roosevelt had conducted a sit-down strike of his own, certain that he could wait longer than Congress. In the present situation he has displayed immense insouciance. He presented his plan to Congress, talked it over in a series of interviews with leading Senators and Representatives, and—went fishing. Meantime, nearly all legislative work has been held up, pending the outcome of the Court fight. Returning to Washington, the President re-studied the budget situation, made recommendations of economy to Congress, and—went fishing again. Had the actors in this crucial drama been limited to the President and Congress, he might well have had his way in a few weeks more.

But suddenly the situation was changed greatly by the Supreme Court itself. The "liberal" minority of the Court changed into a majority. To Justices Brandeis, Cardozo, and Stone, who had supported many New Deal laws, were joined not only Chief Justice Hughes, who had been on this side of the fence before, but also Justice Roberts. And that makes a total of five votes.

The new majority proceeded to hand down several sensationally changed decisions. It is highly unusual for the Supreme Court to reverse itself, save perhaps over some early and confusing decision after a lapse of many years. But within a few weeks, since President Roosevelt's plan has been rocking the country, the Supreme Court has reversed—to all intents and purposes—two decisions on which the ink was not a twelvemonth dry.

The first reversal was of the decision which had thrown out the New York minimum-wage law. That decision, coupled with earlier decisions against federal minimum-wage laws, created the "no-man's-land" within which the Court seemed to say that no government, either state or national, could legislate. The decision was no older than June 1936. But in an historic decision in March 1937, Justice Roberts reversed himself (reversed in a manner of speaking; there is a pretty good legal loophole for him,

## THE NINE OLD MEN

but the public ignores it) and now state minimum-wage laws for women are constitutional.

A fortnight later almost the same thing happened in the Wagner Act decisions. A year before, five members of the Court had declared manufacturing to be of purely local concern, not a part of "interstate commerce", and hence not susceptible of regulation by Congress. But in April 1937 five members of the Court—again by reason of a shift by Justice Roberts—decided that Congress could regulate labor relations in manufacturing and other industries, although intrastate in character, when such control was necessary to protect interstate commerce from obstructions. Other less important decisions of the Court showed the same trend. Before last November's election the New Deal had lost 11 cases in the Supreme Court and won two. Since the election it has won seven cases and lost none. As Dean Dinwoodey, editor of the United States *Law Week*, put it :

A "new" Supreme Court, or at least a "new" majority of the Supreme Court, has made its debut to "save" the judiciary.

This "new" Court has been steadily striking off the shackles it had formerly placed upon social progress. This is commonly regarded as a result of the judicial statesmanship of Chief Justice Hughes, whose major task, as he interprets it, is to preserve the eminence and prestige of the Supreme Court.

There is another important factor. Early New Deal laws were atrociously drawn and hastily enacted. Many of the early defeats in the Supreme Court were not by 5-to-4 majorities, but by 9-to-none. Such cases would not be reversed even by a six-man addition to the bench. Of the 11 cases outlawed by the Supreme Court, six have been reversed in effect by passage of improved legislation which has been upheld by the Court, the need for two or three others has passed, and in one or two cases the illegality was and is patent. In short, the "new" Court is saying : "See ! We are not obstacles to progress, once



## AMERICA : AT HOME AND ABROAD

you come to us with soundly drafted legislation." To which President Roosevelt replies : " How do I know that your new decisions will stick ? Formerly you created a no-man's-land. Now it is Roberts-land." And he insists on pressing ahead with his Court-enlargement plan.

The situation, protracted and stultifying as it is, remains completely uncertain. Possibly President Roosevelt's grim determination to sit tight—and go fishing—will overcome Congressional resistance. More probably some form of compromise will be reached, when Washington has swung into its tropical summer and Congressmen yearn for home.

One apparent compromise would be for President Roosevelt to cut his prospective judicial appointees from six to two. The Court would not be packed quite so tightly, but the result might be the same. Or, upon intimation that one or two of the present justices would retire voluntarily if the President withdrew his plan, he might do so, and with some of his present friends and foes unite on a constitutional amendment for a fixed retirement age, or some one of the scores of reform proposals that are now being aired.

In any event, we are in the throes of as profound an inner-political crisis as has riven the American scene for many years. It is surprising that President Roosevelt's prestige has not sunk lower than it has with such a proposal in his second term, when presidential standing begins to tail off anyway. But the jaunty Chief Executive seems to be going on as ever, with imperturbable verve. As before, the same people become choleric at the very thought of his doings ; the same men-in-the-street say : " Well, maybe Roosevelt's right " ; and bewildered Congressmen get serious pains in the neck trying to keep both ears to the ground at once.

## II. AMERICA AND THE DEMOCRACIES

SUCH an inordinate amount of space devoted to this single issue is but expressive of its place on the current American scene. There are plenty of other problems

## AMERICA AND THE DEMOCRACIES

of no little importance, particularly to other nations. We have had, for instance, just about the busiest season of Anglo-American interchanges since the world war period. It is highly unusual for a British Cabinet Minister to come to Washington, as Mr. Walter Runciman did; no less important were the visits of Mr. Mackenzie King and Lord Tweedsmuir, each opening a different sort of channel with the British peoples. To cap the series, Mr. Norman H. Davis caught a boat for England to talk over various possible forms of American collaboration in the challenging search for a stable peace.

The comings and goings reflected President Roosevelt's willingness—previously recorded in *THE ROUND TABLE*—to do "something" helpful in the current world crisis. It was, however, extremely difficult to find a course of action that American public opinion would support. Facing the British rearmament program, it is no time to talk of disarmament, and Mr. Roosevelt himself plainly and publicly indicated his sympathy with nations forced to arm reluctantly in self-defense. Nor will the outlook for an Anglo-American reciprocal trade agreement be clear until after the Imperial Conference. On the American side, it is almost hopeless to talk of new war debt negotiations, or financial assistance to Germany. The American public, and especially the Congress, would prefer to retain the defaulted debts as an awful warning against new lending, rather than accept payments on anything much short of a 100 per cent. scale. It is surprising that no debtor nation has yet realized this fact, and made an offer of, say, 50 per cent. or 60 per cent., which would certainly be rejected, but would remove from the debtor the obloquy of default.

One thing, however, has been made increasingly clear by everything President Roosevelt has done in the foreign field, and by all these special interchanges with Great Britain. It is that the United States is definitely in sympathy with the democracies. The public parading of these sympathies has—according to reports reaching Washington

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—had a perceptible effect in Berlin, and perhaps less in Rome. The weight of American public opinion and governmental sympathy cannot be ignored, and President Roosevelt misses no opportunity to strike a verbal blow for the democracies. American-German relations are in very prickly shape, far more so than in 1914; and this fact should not escape the Wilhelmstrasse.

The neutrality Bills, having passed both Houses of Congress in variant forms, have been ironed out in the form of somewhat greater flexibility for the President. Instead of making mandatory upon the President a cash-and-carry embargo on all materials consigned to belligerents, the present draft leaves any embargo upon materials entirely optional with the Executive, although the Act authorizes a cash-and-carry embargo at his discretion. In either case, nations with money and ships have nothing to worry about; they can get anything they wish from the United States, except credit.

We have the impression in Washington that the British Government has not been particularly receptive to President Roosevelt's well-meaning though vague willingness to support some peace plan. Mr. Davis, it is the impression here, was not taken very seriously in London. Mr. Runciman certainly held out little tangible prospects for a good, tit-for-tat reciprocal agreement when he was here. In short, it is being said that a conservative Ministry in London is behaving traditionally toward Washington; or at least that it is skeptical, aloof, and unimaginative. Of course, non-partisan observers of American policy find a good deal of justification for the Baldwin Government's attitude. After all, President Roosevelt has behaved impulsively and somewhat irresponsibly toward Europe, and the 1933 experience of the London Economic Conference must have left its mark. Nevertheless, if these past experiences can be subordinated, and Mr. Roosevelt's present co-operative mood recognized and capitalized, it may be of lasting importance to the world.

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If Great Britain misses the opportunity at this juncture to make the most of President Roosevelt's tentatives toward co-operation, American policy may take a different turn. Traditionally, the United States has approached European politics through Great Britain. But a new channel is appearing, and it may be an historic appearance. Early in June, Premier Paul van Zeeland, the American-educated Belgian statesman, is coming to Washington to confer with President Roosevelt. He comes as the leading representative of the Oslo group.

M. van Zeeland offers to the United States—whether he or many others have realized it or not—an entirely new interpreter between America and Europe, and a link not without its merits from the viewpoints of United States public opinion and policy. Opinion here has always suspected the possibility of undue British influence over our diplomacy; the State Department is constantly accused of being Anglophile; people are always saying that the United States will be used to snatch this or that handful of British chestnuts out of the fire. However far-fetched these opinions seem to informed people, they nevertheless exist, and always make Anglo-American diplomacy a somewhat delicate operation.

But the Oslo group—the little Powers, the neutrals, the Scandinavians, the European “good neighbours”—make quite a different picture. There would be no political difficulty involved in contacts with the European neutrals, whose conduct in the late war was apparently not unlike what the United States would like to do itself in the next—with some notable exceptions. And is not the United States the great protagonist of neutrality? Has it not stimulated an “area of neutrality” in the western hemisphere? Why not widen the area by including the European neutrals? In a word, are not the Oslo group policies very similar in fundamentals to latter-day American policy? Particularly, trade policies are similar. So M. van Zeeland's visit should not be ignored. It may be a

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turning-point in American-European relations. Or, of course, it may be just a perfunctory call.

### III. BUSINESS AND BUDGETS

THERE remain two other issues of transcendent American interest: labor troubles, business recovery, and possible inflation on the one hand, the national budget on the other. It has been a winter of strikes, made spectacular by the spreading use of the sit-down technique. Strikers have possessed themselves of factories in all parts of the country, and held on until an agreement was reached. The technique has aroused profound misgivings in many quarters. Sit-down strikes are plainly illegal; from the kidnapping of a factory to the kidnapping of an employer is not a long step. Yet there are illegalities on the other side. The Lafollette Committee, a senatorial group investigating various violations of civil liberties, revealed widespread use of espionage, company spies, and labor intimidation in the biggest and most civilized of mass-production industries. It showed certain areas of the nation, such as the important coal-producing Harlan County, Kentucky, where terrorist company policy ruthlessly prevented union organization.

It has been increasingly clear that the United States must make more rapid progress toward sane organization of labor and unquestioned recognition of collective bargaining; then responsibility can be demanded of employers and unions alike. So long as the present anarchy prevails, and collective bargaining is frequently prevented or rendered a farce, use of excessive weapons like the sit-down strike is to be expected. Revelation of these excesses on both sides was important in bringing widening recognition of the right to collective bargaining. Then the Wagner Act decision established the right beyond doubt. Unionization goes on apace. It is to be expected, therefore, that the winter's toll of strikes will decline, that settlements will be

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more rapid. The dramatic and unprecedented agreement between our steel king, Myron C. Taylor of United States Steel Corporation, and the labor king, John L. Lewis of the United Mine Workers and the new labor storm troops—the Committee for Industrial Organization—has set a notable example, and averted the most threatening strike of all.

The strike chapter is not closed, of course. But with every labor victory—and they have been nearly all victories for labor, this winter—the day comes nearer when labor can be asked to accept responsibility for its successes. Even Henry Ford, who declared unending war against unionism a few days before the Supreme Court's Wagner Act decision, sang a mild song two days thereafter. "Why, yes," said Mr. Ford, in effect, "I have always believed in collective bargaining. . . ."

While the strikes have undeniably slowed recovery, of course they have not stopped the upward cycle. Under the double stimulus of greater purchasing power at home and the rearmament boom abroad, American prices are rising sharply, and industrial production mounts apace. The familiar spiral of rising wages and prices is in motion before our eyes. Since February, the armament race has had clearly more perceptible effects here, and wage increases have multiplied. Forward buying is under great impetus. The Federal Reserve Board is doing what it can to prevent inflation by raising the reserve requirements of member banks to their maximum, and by sterilizing gold imports, to a volume already exceeding \$500,000,000.

Monetary authorities would plainly welcome a mild recession through a drop in forward buying, but they are anxious to keep the recession mild by maintaining low interest rates in order to stimulate long-term investment in plant and equipment. Steps toward all these objectives have been taken in recent weeks by the Federal Reserve Board, which has greater power over our economy than at any prior time, and is more alert, under its canny Utah Scotsman, Marriner S. Eccles.

## AMERICA : AT HOME AND ABROAD

At the same time, President Roosevelt has begun an "economy drive". In a candid budget message, he recognizes the excessive estimates he gave in January, foresees the possibility of a \$400,000,000 deficit in the next fiscal year when he had announced a balanced budget in January, but states that every effort will be made to attain the balance through economies. No new taxes are contemplated this year, but the nation is warned that at the next session of Congress, in 1938, new taxes will emphatically be in order.

The chief disturbing factor, most provocative of inflationary alarums, is not the fact that the budget is not yet balanced, but the new high level upon which federal expenditures seem to have stabilized themselves. And in the face of a boom—of an ascending spiral of wages and prices—it still seems necessary for the President to recommend straight relief expenditures, exclusive of various collateral projects for the under-privileged, costing no less than \$1,500,000,000 in the coming fiscal year.

In the pre-war years the American budget ran at about \$1,000,000,000 a year. After the war the stable plateau of expenditures was around \$3,000,000,000. Now, in the post-depression period, the "emergency" spending of the early New Deal seems fixed at around \$7,000,000,000. Year by year, as recovery has slowly come, the government's expenditures have risen. In 1933 they amounted to \$5,100,000,000. Next year they were up to \$6,700,000,000. In 1935 they reached \$6,850,000,000. Last year, without counting the soldiers' bonus, they were at \$7,100,000,000. This year they reach \$7,600,000,000, and next year's total is \$7,725,000,000.

This rising curve of expenditure has coincided with better business, decrease of unemployment, doubling of industrial payrolls, and great rises in farm income. Part of it is accounted for by the continuing incubus of relief; part of it is the hang-over of depression operations which are just being finished; but the major part is the expansion of



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regular governmental functions during a mushroom era—the assumption of more and more tasks by the federal authorities. Possibly this growth is inevitable; possibly the United States is spending no more in proportion to its national income than other nations; but citizens are asking from what reservoir will the deficits of the next depression be taken?

Such reflections have produced a considerable economy urge in Congress, which has to fight its way fiercely against special interests and groups, all interested in economy in principle, but struggling tooth-and-claw for their particular subsidy. Whether real economy will be possible has yet to be demonstrated. If not, the broad economic position of the republic will continue to disquiet citizens, but the fact that they are already armed and fighting is a hopeful sign.

Altogether, therefore, these are stirring times in the United States, even as in the rest of the world. But mainly it is internal questions that are preoccupying Americans these days. Except, that is, for the lively interest being shown in the Coronation, of which enough evidence is doubtless visible in London.

Mr. Roosevelt himself, in a message to the *Christian Science Monitor* on that newspaper's coronation issue, put in simple words the serious American's interest in what the President called "the enlargement of understanding between the English-speaking peoples on this historic occasion". He said: "It is a simple statement of fact, but one which cannot be too often affirmed, that the United States and Great Britain have one common concern—the preservation of peace throughout the world. While national means and methods of contributing to a peace more secure and more stable may rightly vary, this common objective stands ever a common inspiration."

United States of America,  
April 1937.

## CONSTITUTIONAL CRISIS IN INDIA

### I. THE RESULTS OF THE ELECTIONS

A FEW days before the inauguration of provincial autonomy on April 1, the Indian National Congress raised a vital constitutional issue which resulted in a refusal by its provincial leaders to form Ministries in the six provinces where they secured elected majorities. This situation has caused grave concern in London, Delhi, and the provincial capitals of British India.

In the recent elections the Congress obtained substantial majorities in Madras, the United Provinces, the Central Provinces, Bihar, and Orissa; in Bombay the party had a majority of only one, but other elements enhanced its strength. In Bengal and in Assam the party formed the largest single group, but did not have a majority over the combined strength of others. In the North-West Frontier Province the Congress emerged as the second largest group, but in the Punjab and Sind its position was weak. Its most notable successes were secured in Madras and the United Provinces, where elements previously regarded as the natural leaders of the people were severely routed. The Justice party of Madras was badly defeated; and the National Agriculturist party in the United Provinces, which was thought to be a serious rival to the Congress, was virtually eliminated.

In the Punjab, the Unionist party gained the success that had been anticipated, and has formed the most stable Ministry in the country. In Bengal the situation was complicated by the variety of parties, which has resulted in the

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formation of a coalition Ministry. In all five provinces where non-Congress elements secured majorities, Ministries have been formed and are functioning under the new constitution; in the remaining six provinces, alternative Ministries had to be drawn from the minority elements in the new legislatures.

The large majorities obtained by the Congress are generally traced to the sentimental regard felt for a movement that originated and fostered nationalist aims, to an elaborate party organisation, and to prevailing discontent with the existing order, which the Congress has adroitly dramatised for political purposes. But the party also sponsored a realistic social and economic electoral programme. This included reforms in the land-tenure system, reductions in land rent and revenue, and a more equitable adjustment of agricultural burdens, giving immediate relief to the peasants. The party promised to deal with the question of agricultural indebtedness, and to improve the lot of industrial workers. Untouchability and other social anachronisms were to be removed, and the treatment of "political prisoners" was to be examined and improved. This programme was wrapped up with a more general policy of seeking to end the constitution and substituting something nearer to Indian aspirations, but there is no doubt that the practical programme of the party made a strong appeal to the less sophisticated electors. The election results proved that the Congress had deep-rooted support in the country; for the new electorate brought to the poll nearly 28,000,000 voters who had never before exercised the franchise. It was clear that these electors were willing to give the Congress an opportunity to carry out its programme in the legislatures.

The party's success brought its leaders face to face with an issue that had long been deferred: the question whether they would assume office if they secured majorities. It was generally recognised that a party which had so long been in opposition would find some difficulty in suddenly transforming its policy into constructive shape. For some months

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there had been indications in the nationalist press that the Congress, in turning to co-operative paths, would ask for some assurance from the Governors in regard to the use of their reserve powers. The Congress leaders have always contended that no responsibility existed in provincial autonomy so long as those powers vested in the Governors. At one time the view was expressed that a written assurance should be obtained from the Governors, but this was condemned, even in the Congress press. The more moderate elements in the party were willing to assume office without any assurance from the Governors, believing that the party's best safeguard lay in the support it had received from the electors. But the Left-wing section proved strong enough to secure the adoption of a demand for an assurance as a condition of the acceptance of office.

### II. THE CONGRESS RESOLUTION

THE office-acceptance issue was given concrete form in the middle of March, when the Congress Working Committee and the All-India Congress Committee met in Delhi to decide the question. In the Working Committee, as Pandit Jawaharlal Nehru later confessed, a sharp division of opinion arose. There were, apparently, three conflicting factions: those who advocated unconditional acceptance of office; those who urged acceptance with a condition for a limited period; and those who were entirely opposed to assuming office. The last faction appeared to be stronger than many had supposed it would be, but it was counteracted to some extent by the views of most of the Congress district and provincial committees, which had previously submitted opinions in the main favourable to the acceptance of office. It soon became clear that some compromise would have to be devised, and it is believed to have been at this stage that Mr. Gandhi's advice was sought. Although not himself a member of the Working Committee, Mr. Gandhi attended the meetings, which were held in his

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*barijan* colony on the outskirts of old Delhi. After twenty hours of private discussion the committee adopted a resolution authorising conditional acceptance of office.

This decision had still to be ratified by the All-India Congress Committee, and it was again evident that opposition to acceptance of office was substantial. Particular objection was taken to a phrase in the Working Committee's resolution which confined the assurance required of provincial Governors to the party's activities "within the constitution". Anything that implied acceptance of the constitution was strongly opposed, and the Working Committee voluntarily amended the phrase, by deleting the words "within the constitution" and substituting "in regard to their constitutional activities". In announcing this alteration, Pandit Nehru said it represented no vital change in intention, but in the light of later events there are many who think it had some influence upon the attitude of the Governors. During the debate on the resolution many of the party's most prominent leaders spoke. They contended that the assurance sought from the Governors did not imply an undertaking on the part of Congress but was meant to put to the test the Government's profession of the reality of provincial autonomy. The resolution was finally carried by 127 votes to 70. A socialist amendment refusing to accept office was defeated, and an amendment to delete the phrase requiring an assurance received only 60 votes.

The main question of acceptance or non-acceptance of office obscured all other clauses in the resolution that was passed, and at the time few attached importance to the preamble. There were many, indeed, who contended that the operative clause of the resolution ran counter to all that preceded it, a view that is not apparently held by Mr. Gandhi and the other leaders of the party. The importance of the resolution as a unitary document was not appreciated, and it is not inconceivable that the *impasse* created later by the Congress refusal to take office derived to some extent from

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the dual interpretation to which it is exposed. The resolution said :

The All-India Congress Committee records its high appreciation of the magnificent response of the country to the call of the Congress during the recent elections and the approval by the electorate of the Congress policy and programme. The Congress entered these elections with its objective of independence and its total rejection of the new constitution and with the demand for a Constituent Assembly to frame India's constitution. The declared Congress policy was to combat the new Act and end it.

The electorate has, in an overwhelming measure, set its seal on this policy and programme, and the new Act, therefore, stands condemned and utterly rejected by the people through the self-same democratic process which had been invoked by the British Government; and the people have further declared that they desire to frame their own constitution based on national independence through the medium of a Constituent Assembly elected by adult franchise.

The Committee, therefore, demands, on behalf of the people of India, that the new constitution be withdrawn.

In the event of the British Government still persisting with the new constitution in defiance of the declared will of the people, the All-India Congress Committee desires to impress upon all Congress members of the Legislatures that their work inside and outside the Legislatures must be based on the fundamental Congress policy of combating the new constitution and seeking to end it, a policy on the basis of which they sought the suffrage of the electorate and won their overwhelming victory in the elections. That policy must inevitably lead to deadlocks with the British Government and bring out still further the inherent antagonism between British imperialism and Indian nationalism, and expose the autocratic and anti-democratic nature of the new constitution.

The All-India Congress Committee endorses and confirms the resolutions of the Working Committee passed at Wardha, on February 27 and 28, 1937, on extra-parliamentary activities of the Congress members of the Legislatures, mass contacts and the Congress policy in the Legislatures, and calls upon all Congress men in the Legislatures and outside to work in accordance with the directions contained in them.

On the pending question of office acceptance and in pursuance of the policy summed up in the foregoing paragraphs, the All-India Congress Committee authorises and permits the acceptance of Ministerial offices in the provinces where the Congress commands a majority in the Legislature, provided that Ministerships shall not be accepted unless the Leader of the Congress party in the Legislature is satisfied and is able to state publicly that the Governor will not use his special powers of interference or set

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aside the advice of the Ministers in regard to their constitutional activities.

The operative clause of the foregoing resolution expressly took cognisance of all that preceded it. In effect, the early part of the resolution about ending the constitution was presumably meant to apply to future action within the Legislatures as well as outside them.

### III. THE CONGRESS AND THE GOVERNORS

WHEN the Congress delegates dispersed from Delhi it was not thought anywhere in the country that the resolution they had adopted would result in a refusal by the provincial leaders to form Ministries. The party leaders, indeed, were lauded for their "statesmanlike decision", and the view was commonly held that the assurance sought could readily be granted. Few had analysed the constitutional implications of the condition attached to office acceptance; for everyone believed that in approaching the Governors the Congress leaders expected to obtain merely a general assurance of friendly co-operation with a party that had so long been in opposition that it was virtually treated as an "enemy" by the authorities. Even in official circles the first opinion appeared to be that the demand could be met, and there was an early impression that the Congress had made the way easy for collaboration between the new Ministries and the Governors. The Indian press, almost as one, believed that the resolution implied the acceptance of office. The *Hindu* of Madras and the *Tribune* of Lahore, as well as other prominent nationalist newspapers, took that view. The *Servant of India*, a Liberal weekly, was almost alone in saying it was difficult to see how office-acceptance on the terms laid down was possible unless either the Governors or the Congress leaders were false to the responsibilities of their positions.

The expectation was not fulfilled. When the delegates returned to their provinces the provincial leaders were



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invited by the Governors to discuss the formation of Ministries. From the published accounts of these discussions it was inferred that difficulties had arisen. It appeared that instead of satisfying themselves in a general way as to the Governors' intentions the Congress leaders were asking something much more specific. In a series of similar statements the Governors indicated that what the Congress leaders sought could not be conceded under the Act, since it placed mandatory obligations upon the Governors which they were unable to renounce, even if willing to do so. In view of this interpretation the Congress leaders declined to form Ministries, and political thought throughout the country was thrown into a state of bewilderment.

It became clear for almost the first time that Congress men as a body were willing to assume responsibility, and even the party's own press was surprised at the turn events had taken. Nearly all the pro-Congress newspapers were inclined to place the blame for the deadlock on the authorities, although some of them recognised that it was legally impossible for the Governors to give the assurance wanted. Some effort was made to analyse what had caused the divergence between the view that prevailed in Delhi and the outcome of the negotiations in the provincial capitals. An opinion emerged that the upper hierarchy of the party had stiffened its attitude after the resolution had been endorsed by the All-India Committee, and that the manner in which the demand was presented to the Governors was not the manner in which the committee had anticipated it would be presented. The British-owned press was severely critical of the Congress leaders; and the Moslem press, hostile to a demand for assurances from the first, was appeased by the fact that it had not been met.

Liberals generally contended that the demand implied an abrogation of the Act. Chief among the spokesmen of this view was Sir Tej Bahadur Sapru, whose long association with the Round Table Conferences in London gave his opinion authority. He stated that the interpretation

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of the Act by the Governors was right and that they could not contract themselves out of their statutory responsibilities. He admitted that the statute did not prevent the growth of conventions, but conventions emerged from practice, and practice in this case meant working the constitution. The Congress press became violently hostile to any suggestions that Congress men sought to violate the Act, and the controversy thus created elicited a statement from Mr. Gandhi.

In that statement Mr. Gandhi claimed to be the sole author of the conditional clause in the Congress resolution, and insisted that the condition was not intended to abrogate the Act. He pointed out that the Congress policy was to secure not an amendment of the Act but the absolute ending of it. The object of that section of the Congress which believed in office-acceptance was to utilise office to strengthen the party's hold on the electorate, pending the creation of a situation that would transfer all power to the people. Mr. Gandhi felt that this object could not be secured unless there was a gentlemanly understanding between the Governors and their Congress Ministers that they would not use their powers of interference so long as Ministers acted within the constitution. Not to do so would be to court an almost immediate deadlock after assuming office. Mr. Gandhi argued that there was nothing extra-constitutional in such an undertaking by the Governors. He contended that the Congress formula asked for nothing more than British Ministers had previously said was intended, namely, that "ordinarily the Governors would not use their admittedly large powers of interference".

This statement unified the Congress ranks. Its moderation implied that Congress still sought some way out of the difficulty, and inclined many to think that the party did not in reality desire to lay down a condition which made the acceptance of office impossible. There arose a widespread demand that the Viceroy should send for Mr. Gandhi in order that the issue might be resolved. Before the Congress

## CONSTITUTIONAL CRISIS IN INDIA

passed its Delhi resolution, Lord Linlithgow had indicated in a public speech that all representatives of the Crown in India would extend the most cordial collaboration to provincial Ministries of whatever political colour. The claim was now made in the Indian press that the opportunity had arisen for the Viceroy to justify his statement.

### IV. LORD LOTHIAN'S CONTRIBUTION

MEANWHILE the appointed day for the inauguration of provincial autonomy had arrived, and the constitutional changes evolved after years of negotiations went into force. There was widespread regret that the Congress was not assuming its due share of the new responsibilities that had devolved upon Indians. The fact that the party had indicated its willingness to assume office was generally regarded as a vindication of the reforms, implying that the measure of advance in the provinces was substantial enough to bring about a change of policy on the part of those who had long been non-co-operators. But the situation on April 1 was far from satisfactory. The Congress had ordered the observance of a *hartal*, and the circumstances in which the reforms were born contributed to its success.

The Governors in the meantime had invited other elected representatives to form Ministries, and although faced with early difficulties these were set up. The alternative Ministries were even more heartily condemned in the Congress press than the Governors' failure to give an assurance, and doubts were cast upon their legality. Thus the range of the controversy was widened, and the general political situation seemed to be deteriorating. It became clear that Congress was recovering its national prestige and was emerging from the eclipse in which it had been shrouded for the past six years. The press was full of criticism of what was called the "Whitehall mentality". The Viceroy maintained a discreet silence, although the British-owned

## LORD LOTHIAN'S CONTRIBUTION

press at places as far apart as Madras and Lucknow was urging negotiations with Mr. Gandhi.

The controversy was exceptionally bitter when Lord Lothian's first letter on the crisis appeared in *The Times*.<sup>\*</sup> The letter was given much prominence in the press, but it received singularly little editorial comment. It was accepted as a faithful interpretation of constitutional theory, but the Congress was in no mood to accept the purely legal aspects of the issue. Lord Lothian's reasoned review showing that safeguards had been no barrier to constitutional progress in other countries did not meet an answering response from Indians, although some were sobered in their views by so expert an opinion.

It was his second letter to *The Times* † that brought Lord Lothian prominently into the controversy. In this letter he showed that a Governor's use of his reserve powers must inevitably be affected by the popular support his Ministers had behind them. The Congress press seized upon this as implying that all differences arising between a Governor and his Ministers would be submitted to the electors for decision, a policy Lord Lothian never adumbrated.‡ Even Pandit Nehru was satisfied

<sup>\*</sup> April 6, 1937.

† April 13, 1937.

‡ The relevant passage of his letter actually read: "The discretion which the Governor has to exercise is whether his special responsibility will be better discharged by accepting or rejecting the advice of his Ministry, when attempts at agreement have failed. His decision, as all past history shows, largely depends on whether the majority in the Legislature is united and resolute and on whether it can count on the support of the electorate in the event of a dissolution. If it is, the Governor has usually decided not to provoke a constitutional crisis from which there is no solution save the suspension of the normal functioning of the constitution. That is why responsible government has always led to self-government.

"If, on the other hand, the Ministry is pursuing a policy which raises vehement opposition to the point of imperilling peace and tranquillity or the rights of minorities it is right that the first remedy in the hands of the Governor should be to refer the matter to the electorate. That is the true safeguard of democracy itself. Is not the most promising way out of the present difficulty to recognise that once responsible government is in being the ultimate 'arbitration' will almost inevitably be exercised by the electorate?"

## CONSTITUTIONAL CRISIS IN INDIA

with this interpretation and asked why there was all the fuss about the safeguards if the electors were the ultimate tribunal. In the main the suggestion that the electors should be the final arbitrators was considered an acceptable solution, although various commentators pointed out that Lord Lothian had to convert the authorities in London to this view, as the Congress had all along supported it.

It now became clearer that the safeguards, although intended to be held in reserve, were nevertheless meant to be used if necessary, and that what Congress men wanted was an assurance that they would always be kept in abeyance, so far as the party's "constitutional activities" were concerned. Some prominent Congress lawyers maintained that this was possible without infringing the Act, suggesting that a Governor would be using his discretion in agreeing not to use his special powers. It is fairly certain that the Federal Court would not so interpret the Act, nor would Parliament, which is the ultimate interpreter.

Lord Lothian's contributions to the controversy were widely regarded as serious attempts on the part of one who thoroughly understood the problem to bring about a solution acceptable to both sides. It was also felt by Indians that there were friendly forces in England who were willing to consider the Congress point of view and prove accommodating so far as was constitutionally possible. No such interpretation was placed upon Lord Zetland's statement of April 8. There was considerable dissatisfaction with his handling of the problem, shared in some cases by sections of the British-owned press. The extremists claimed that the door which had been left open by the Governors and widened a little by Mr. Gandhi had finally been closed with a bang by the Secretary of State. There was regret that he should have used a communal illustration to indicate the implications of the reserve powers, and there was resentment that he had treated Mr. Gandhi's views with such scant consideration. The opinion developed

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that the failure to give an assurance was a policy dictated from London. It was recognised, even among officials in India, that the particular problem had not been solved by the discussion in the House of Lords. It was, however, borne in upon Congress men that Liberal and Labour spokesmen in London supported the view that the party should assume office and test its case constitutionally.

### V. THE FUTURE

THE crisis has had the effect of bringing Mr. Gandhi once more into the forefront of Indian politics, and there are many who believe that he is not anxious to see the organisation drift towards the extremer policy sponsored by Pandit Nehru. Others contend that he is in agreement with Pandit Nehru about the purpose, but parts company with him over methods. Mr. Gandhi's contributions to the controversy have been generally regarded by Indians as proof that Congress is anxious to assume office. There are ample signs that the party desires to give effect to its electoral promises, while not side-tracking its broader political purpose of securing a more liberal constitution. The problem clearly had its origins in something other than a mere constitutional issue. The correctness of the Government's legal attitude is accepted nearly everywhere outside the Congress ranks; there, the legalism of the case is interpreted as a mere buttressing of imperialism.

The key to the situation lies in that view. It is not primarily a legal issue at all, but a political one. The Governors' powers are an integral feature of the Act, requiring an amendment of the constitution before they can be eliminated. To Congress men the realities of power, even in the provinces, are enshrined in the safeguards. They genuinely believed that some arrangement could have been made with the Governors, and moderate elements honestly thought that they were not demanding an amendment of the Act. Only the extremists are satisfied

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with the outcome. Their policy of wrecking the constitution stands a fairer chance of success if the Congress does not take office; for extremists are unwilling to work within a constitution which they desire to see rejected. The Delhi resolution showed that for the party as a whole the decision to accept office did not mean an acceptance of the Act. The deepest hostility to the Act was modified only to the extent of recognising that some measure of good might accrue to the people from acceptance of provincial responsibility.

Obviously a great deal turns on the interpretation of the Congress phrase "constitutional activities". Congress leaders admit that the party's political object of securing *purna swaraj* (complete independence) cannot be achieved in the provincial sphere, even although strong efforts will be made to develop the party's general policy inside the Legislatures as well as outside them. Thus, if the broad issue of nationalism *versus* imperialism is removed from the provincial sphere, the issue resolves itself into an interpretation of the party's proposed "constitutional activities" in that sphere. If ambiguity on this point can be removed, it may be found that the Governors and the provincial Congress leaders are not very far apart regarding the Governor's relations with his Ministers over their social and economic legislative programmes.

Indian opinion generally holds that the Governors were too rigid in their interpretation of what Congress men wanted, and it is quite widely believed that if they had been left to their individual inclinations the situation might have been met in the provinces in a manner that would not have violated the constitution. Each side contends that the policy of the other in the negotiations was centrally inspired and was marked with a rigidity that made agreement impossible. But it is obvious from the statements issued by the Governors that they were virtually invited to place their reserve powers in abeyance, irrespective of the consequences that might flow from such action. If Congress



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leaders had explained the "constitutional activities" they contemplated in provincial administration the outcome might have been different. The leaders would in all probability have found that provincial powers are in reality vested in the Ministers, and the Act does not prescribe how these powers may be used. It leaves the field of provincial activity open to Congress Ministers, as to all others, however advanced their social and economic programmes may be. Admittedly the Congress policy is advanced, but in the vital field of agricultural reform the party disclaims any intentions of confiscation.

The Governor's responsibilities are designed to enable him to protect certain specific objects, but these responsibilities are as much the Ministers' as they are the Governor's. Indeed, the primary responsibility falls upon the Ministers. If the objects that the Governors have to safeguard are respected by the Ministers then the need for interference does not arise. There appears to have been no approach to the problem along these lines, and misunderstandings of the Act are not all confined to the Congress side.

No one claims that the Act is perfect, but it fulfils its function in that evolutionary programme of constitutional advance which has been an integral part of British policy for a generation. It must not be forgotten, however, that the Congress has been in opposition for nearly twenty years, and frequently in direct conflict with the authorities. The sudden acceptance of co-operative methods, particularly under an Act so universally condemned by the party, would be a *volte face* which any political group would hesitate to make. Moreover the strength of those Congress men who are opposed to accepting office places the party in a peculiar position. The Delhi meeting showed that the organisation has to face dissensions between the moderates and the extremists. Notwithstanding this, it was significant that Congress men were genuinely surprised to find they were unable to take office. Congress leaders have admitted the cordiality of their discussions with the Governors, and

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the Governors have patently demonstrated their willingness to collaborate with Congress Ministries. The Congress press does not believe the demand to have been so unreasonable as to make it worth while to sacrifice the constitution and present the country with the prospect of further political turmoil.

It was urged in some quarters that the Viceroy should send for Mr. Gandhi, but clearly the Viceroy could not give an assurance which the Governors could not give. The British Government obviously does not intend to amend the Act before it is tried. Moreover, in the five provinces in which the Act is being worked there is no indication that the Governors are likely to intervene to disturb the policy of Ministers. It is true that the minority Ministries in the other six provinces are not likely to survive the first meeting of their Legislatures, but even in these provinces social and economic programmes are being brought forward which the Congress will find it difficult to repudiate. The Congress press claims that the party will not revise its position later in the sense of withdrawing the demand for an assurance. Its hostility to the Act is such that it is convinced that only the suspension of the reserve powers can ensure responsible government. That claim is naturally refuted by constitutionalists. The belief held among Congress men that the bureaucracy has no sympathy with Indian nationalism, and must inevitably show hostility to Congress Ministers, is not correct. The feeling that the services will impede Congress aims is not substantiated by facts and can, in any event, be proved only by experience.

Nor can the views of minority elements in the country be entirely overlooked. There is a suspicion, especially among Moslems, that the Congress demand for an assurance was primarily intended to secure some political advantage. While leading Congress men are not communal in outlook, there are no signs that communalism is dying out; indeed in recent years an economic significance has been superimposed upon the religious aspects of communalism. But

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the situation is not without hope. So long as Congress men are discussing the issue in the hope of a settlement the chances of a solution cannot be ruled out. None but the extremists are anxious to have the door shut finally, and in their case the wish is father to the thought.

India, April 23, 1937.

## GREAT BRITAIN

### I. THE BUDGET

FOR months it had been taken for granted in political circles that as soon as Mr. Baldwin felt that the moment for his retirement had come he would be succeeded as Prime Minister by Mr. Neville Chamberlain. It seemed, therefore, all the more reasonable to expect from a Chancellor renowned for his orthodox financial policy still another safe budget. Everyone recognised that some addition to taxation was necessary and right in order to meet the cost of rearmament, despite the decision to pay for a large portion out of loan moneys. But it was generally thought that all that was required was an increase of 3d—perhaps, at the worst, 6d—in the standard rate of income tax, possibly combined with adjustments of indirect taxation. Mr. Chamberlain completely confounded the prophets in a budget which has aroused more controversy than any financial measure since 1931.

The year 1936-37 ended with a deficit of roughly £5,600,000. For 1937-38, the Chancellor estimated an increase of £35,853,000 in expenditure, including £22,500,000 of Road Fund outgo (see below) but not counting the £80,000,000 for the defence services which, it had already been announced, would be raised by loan. Since the army, navy and air votes to be met out of revenue show a net advance of £12,196,000 on actual payments in 1936-37, the total increase of expenditure on defence will approach £100,000,000 this year by comparison with last. On the other side of the account, Mr. Chamberlain budgeted for an increase of £63,781,000 in tax revenue; this was reduced to a little over £50 million

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by a big expected decline in "miscellaneous receipts"—that mysterious item in the accounts which not even the most sagacious of experts outside the Treasury is able to compute. But the increase included an extra £28,700,000 from the Road Fund, which was previously regarded as a separate, self-balancing account. Both its expenditure and its receipts having now been taken into the general accounts, the motor-vehicle duties take their place as an ordinary item of taxation unallocated to specific expenditure. A further accounting adjustment has been the transfer of broadcasting revenue and expenditure from the main accounts to the self-balancing account of the post office. This rationalisation complicates a comparison between last year and this, but the net result is simple enough, namely, an expected deficit, on the pre-budget basis of expenditure and taxation, of almost exactly £15,000,000, over and above the £80,000,000 defence loan.

This was even smaller than had been expected, and the Chancellor's audience felt confident that they were going to get off lightly. He first made one or two minor adjustments—the closing of still another loophole of legal evasion of income tax and surtax, minor changes in customs to implement the Anglo-Canadian trade agreement, and the abolition of the male servants' licence duties. None of these changes made any serious difference to the main issue. Then Mr. Chamberlain played the card that everyone expected. The standard rate of income tax would be raised from 4s. 9d to 5s. in the £, without any changes in allowances. This would produce £13 million in the current year and £15 million in a full year.

The budget deficiency being now reduced to £1½ million, members expected little more than a peroration to follow. To their amazement, Mr. Chamberlain proceeded upon an ominous discourse regarding defence expenditure. He reminded the House that the Defence Loans Act which they had passed earlier in the session

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authorised the Government to borrow up to a maximum of £400,000,000, spread over a period not exceeding five years. But the defence White Paper of February had clearly explained that, although no one could yet foresee which year would see the peak, the level of defence expenditure would rise very rapidly in the next two or three years. It would be natural to expect that the curve of borrowing should to a certain extent follow a curve of expenditure. Therefore the Chancellor had been surprised at the lack of comment upon the fact that he proposed to borrow in the first year the full amount of the average permitted. No one had seen in that fact the clue to the policy he was about to propose. We had got to prepare ourselves for expenditure of a very exceptional character which would rapidly increase, and then, later, fall until it reached a new plateau. It seemed to him that if each year the Chancellor of the Exchequer had to impose a succession of new taxes, that would be likely to cause the maximum uncertainty and disturbance; he sought, therefore, a means of providing at least a major part of the necessary expenditure "by some device capable of growth in itself, but easily adjustable, so as to allow for variations in the yield of revenue from existing taxation".

He had already increased the income tax, and, since retail prices were already rising, he did not want to depress the standard of living of wage-earners and others by indirect taxation. In the circumstances, it did not seem to him unreasonable to ask that the present rapid growth of business profits should be made the occasion of some special and temporary contribution towards the cost of national defence. He proposed to impose a tax—which he would call the national defence contribution—on the growth of profits recorded by all businesses of any kind whose profits in any accounting year ending after April 5, 1937, should exceed £2,000. The tax would not be applicable to professions or employments. In order to measure the growth of profits he proposed that there

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should be two alternative standards, at the choice of the taxpayer: either the actual profits for certain specified years, or a percentage of the capital employed in the business. The profits standard would be the average profit for the years 1933, 1934, 1935. The charge would therefore be on the increase of profits over the average of those three years. For the other standard, capital would be calculated on a cost basis, and the basic rate of profit would be 6 per cent. for companies and 8 per cent. for individuals or firms; the contribution would be chargeable on profits in excess of those rates.

Whichever standard was adopted, the degree of the charge would be related, not only to the growth of profits, but also to the absolute prosperity of the business. This meant that both the capital of each business and the yield on it would have to be calculated in any case. Such yields would be classified into four "regions": up to 6 per cent., between 6 per cent. and 10 per cent., between 10 per cent. and 15 per cent., and over 15 per cent. In the first of these regions the rate of charge for the contribution would be nil, on the second it would be one-fifth of the growth of profits, on the third one-quarter, and on the highest group one-third of the growth.

The Chancellor went on to append certain details of the plan that he proposed. For instance, in order to meet the case of struggling concerns that had had a series of losses in the past and were only just beginning to make profits, losses during the past four years might be carried forward and set off against the profit chargeable. There would be a tapering-off of the rate of charge on profits between £12,000 and £2,000. The contribution would become due in each case with the first accounting period ending after April 5, 1937—the corollary to which was that when the scheme was eventually wound up an adjustment would have to be made in order that every firm should have paid contribution for the same period of time. Since most firms made up their accounts to December 31,



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and there would inevitably be a time-lag before they paid their contribution, he could not put the yield for the current year higher than £2,000,000; but next year it should produce £20,000,000 to £25,000,000. The Chancellor continued :

I impress upon the Committee that I regard it as a temporary tax, and as the process of rearmament cannot proceed for an indefinite time it is perfectly clear that the purpose for which the tax is being imposed will come to an end at some time, and I should imagine that the tax would then come to an end. I should like to add that I believe that I have in this new impost created a flexible instrument which should be easily adjustable to changing conditions with the least amount of disturbance of confidence and stability.

His final budget estimates were : revenue, £863,100,000; expenditure, £862,848,000, leaving a prospective surplus of £252,000.

The Chancellor's hope that his new tax would cause the least amount of disturbance of confidence and stability was very soon dashed. The national defence contribution scheme was greeted with resigned approval in principle by the Conservative press and by a number of eminent business leaders and supporters of the Government in Parliament. Criticism in the City, however, was almost wholly and comprehensively adverse. The scheme was denounced as vague, inequitable between one firm and another, a tax on enterprise, a blow to recovery, an encouragement to take capital out of the country, and many worse things. There were doubtless exceptional reasons for the vehemence of the City's reaction. After a long period of rising stock prices, those whose business it is to take market risks had suffered a period of minor reverses. Technical difficulties of adjustment had been overcome, but the market was in a weak position to face a further slump in prices, and the immediate depression caused by the Chancellor's announcement had a snowball effect. Liquidation in one section of the market necessitated liquidation in another, and the uncertainty as to the

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precise manner in which the new tax would affect any individual company stood in the way of the normal checks to a downward market movement, namely, the purchase of securities at attractively low prices by financially strong professional operators and by outside investors. For some days it was practically a one-way market. The fact that Mr. Chamberlain's new tax was largely a signal for, and only partly the actual cause of, the collapse of prices was proved by such developments as the spreading of the depression to commodity markets—which could be only trivially affected in any direct way—and to the shares of gold mining companies, which would not have to meet the tax since practically all of them were registered outside the United Kingdom.

Nevertheless, the doubts and anxieties felt in business circles had undoubtedly a substantial basis. It was pointed out, for instance, that the tax as explained by Mr. Chamberlain would hit with cruel severity companies like the great Rhodesian copper-mining concerns which, after years of development during which their capital brought no return, had only recently entered into full production; and that it would also strike heavily at such industries as shipping, which were peculiarly subject to cyclical fluctuations and had suffered most during the slump. Many such criticisms were voiced in the House of Commons debate on the budget, and Mr. Chamberlain was compelled to temporise. He refused, however, to go back on the principle of the tax, which he described in a speech to the Bankers Association on April 29 in the following terms :

that when we are faced with the necessity of expenditure of a very special and exceptional character, compressed into a space of a few years, it is reasonable and fair that we should ask for a special contribution from trading concerns who are making much larger profits than they did some time ago in the more favourable circumstances that now exist.

But he promised that before the Finance Bill was introduced he would make enquiries to discover what were the

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possible dangers of injustice and inequality contained in his proposal, and would meet them as far as he could. He did not bar revision of the two alternative standards for the computation of the growth of profits. He asked that no hostile conclusion should be come to until there had been more opportunity for seeing the proposals in their detailed form—a difficult request for the City to comply with, since uncertainty was among the most important of its charges against the whole plan.

Mr. Chamberlain confessed in debate that the disadvantage of a budget proposal of that character was that, owing to the necessity of preserving secrecy up to the last moment, he could not take those preliminary soundings and have those preliminary consultations that he would upon ordinary proposals. He had to form the best view he could on the basis of past experience, to describe in outline form the project in his mind, and to address himself to particulars thereafter. It was widely suggested that the budget secrets scandal of last year was largely accountable for the defects that were seen in the Chancellor's plan, since he had been unusually scrupulous in avoiding any hint of the tax to those who might have given him practical advice. This, however, can hardly be accepted as a full explanation; for the Treasury and Inland Revenue authorities must have been able to provide the Chancellor with almost exact details of the incidence of the tax on any particular industry or firm. It must be concluded either that the Chancellor did not ask his advisers the relevant questions, or that he was satisfied with the answers he received. As *THE ROUND TABLE* goes to press, the Finance Bill has not been published, and therefore the final details of the tax are not known. The episode certainly struck a blow at Mr. Chamberlain's popularity in his own party, and there were rumours that Mr. Baldwin's retirement might consequently be postponed. But it has probably enhanced his standing in the country, in spite of the wide repercussions of any

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injury to industrial profits in these days of unit trusts and small investors. For it has shown in him a boldness in unorthodoxy with which he was not credited, and a willingness to depart from merely party or class motives of policy which is a proper—indeed an essential—trait in the head of a National Government.

### II. THE FORTUNES OF THE LEFT

FROM a purely party point of view, the Labour Opposition might almost have welcomed a fiscal measure which gave them cause for thunder instead of stealing it from them. Recent by-elections have shown a slight trend towards greater Opposition popularity, though such a development is normally to be expected at this period of a parliament's life. In six by-elections, at St. Pancras, Richmond, Tonbridge, Farnham, West Birmingham, Stalybridge and York, the Conservatives retained seats they had previously held, but in every case the majorities were reduced, and in St. Pancras and Stalybridge the Labour candidates came within a few hundred votes of winning. West Birmingham was the seat held for many years by Sir Austen Chamberlain, whose death in March brought eloquent tributes from all sides of politics to the integrity and generosity of his character. In 1935 Sir Austen had had a majority of 7,371, while his successor received a majority of only 2,920; but in 1929 Labour had come within 43 votes of winning the seat, and in the recent by-election its improved position was due less to new votes for itself than to a failure of Conservative supporters to go to the polls. This suggests that Labour has still some way to go before regaining its 1929 electoral position, which nevertheless left it without a clear majority in Parliament. In the Gorton by-election in Manchester, the former Labour majority was slightly increased on a much reduced poll. One seat Labour has won from the Government, Central Wandsworth, where Major Nathan,

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a former Liberal who joined the Labour party in 1934, turned a Conservative majority of 4,323 into a Labour majority of 485. This seat was among those gained by Labour in 1929 and subsequently lost. Labour's chief recent success has been in the local government field; at the March elections to the London County Council it gained a net total of six seats from its opponents, and it now commands a majority of 75 to 49.

By far the most interesting by-elections to the general observer were two for university seats. Upon his appointment as Provost of Eton, Lord Hugh Cecil resigned his burgess-ship for Oxford university, which he had held for a generation. Three professors contested the seat: Sir Arthur Salter, who stood as an Independent; Sir Farquhar Buzzard, the centrally-approved Conservative candidate, chosen by the party caucus in the university; and Professor Lindemann, whose name was rejected by the party caucus but who had the support of a large number of Right-wing Conservatives. It was thought that the splitting of the Conservative vote might secure the election of Sir Arthur Salter, but in fact he was returned with a small absolute majority over the votes of both the other candidates combined. Sir Arthur, whose candidature was endorsed by members of all three parties, stood on the platform of the "Next Five Years Group", a progressive organisation in which the leading parliamentary lights have hitherto been a few Left-wing Conservatives and members of the Liberal party. The result, he said, indicated clearly that the Oxford university electors considered that the university vote should not be treated as a mere party one, and that there was a widespread desire among the people of England for a moderate policy which could achieve national unity rather than the triumph of any party. Oxford university, after many years of returning only Conservative candidates, is now represented by two Independent members, the other being Mr. A. P. Herbert. The combined English universities (which exclude Oxford,

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Cambridge and London) also took the occasion of a by-election to exchange a Conservative representation for an Independent one, the successful candidate being Mr. T. E. Harvey, who described himself as an Independent Progressive. He, too, has referred to "a widespread conviction that representatives of the universities elected on an additional franchise basis ought not to be chosen on the ordinary party grounds". The combined universities also are now represented by two Independents, Mr. Harvey and Miss Eleanor Rathbone.

While there has been this evidence of a desire in certain quarters for political consolidation around a programme considerably to the Left of that of the Government itself, the idea of a "popular front" consolidating what are now the Opposition parties has received several setbacks. The official Liberal party organisation has once more rejected proposals for an alliance with Labour, a plan that has equally little appeal in the other camp. Further to the Left, the movement for a "united front" between the Labour party, the I.L.P., and the Communists has also been decisively rejected by Labour. Sir Stafford Cripps's organisation, the Socialist League, which joined the united front, was expelled from the Labour party, and individual membership of the League was later ruled to be incompatible with membership of the party. Faced with this choice of allegiance, many members of the Socialist League renounced the smaller for the larger organisation, and at Whitsun the League dissolved itself. Labour supporters have been warned not to take part in united front activities, which are "in clear defiance of the repeated and emphatic decisions of the annual conferences of the party".

The Labour party seems, indeed, to be passing through a phase of moderation. Taking the advice of some of its own most far-sighted supporters, it has prepared, and will discuss at its next annual conference in October, a five-year programme of measures of "socialism and social

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amelioration" which it would undertake to carry out if returned to full power. The programme repeats that the party's goal is the socialist commonwealth, but it seeks to appease timid electors by stating in concrete terms what steps towards that distant goal it would hope to take during the life-time of a Parliament. The Bank of England would be made a public institution. New investment would be controlled through a national investment board. There would be no return to the gold standard. The programme, however, contains no proposals for nationalisation or regimentation of the joint-stock or private banks. A national transport board would be set up "to co-ordinate transport by road, rail, air, and coastwise shipping, and to own and operate the railways and such other transport services as are suitable for transfer to public ownership". The coal industry would also be unified under public ownership, together with the electricity and gas supply industries. As regards agriculture, the programme promises a fair price to the producer and a plentiful supply of food to the consumer, together with a living wage for the worker on the land; these admirable objectives are to be achieved by eliminating unnecessary middlemen and by a full use of co-operative undertakings and marketing boards. In industry, a Labour Government would seek to improve wage standards and would "make any assistance to private enterprise conditional on the observance of trade union wages and conditions". This seems to imply widespread subsidies. Legislation would be introduced for shorter working hours, taking the 40-hour week as the standard. Vigorous though unspecified measures would be adopted to increase employment. The school age would be raised to 15, and later to 16. Health services would be extended. For those who remained unemployed, proper maintenance would be provided and the means test abolished. Steps would be taken to bring new industries into the special areas and in other ways to remedy the terrible conditions prevailing



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there. A Labour Government would "take the lead in seeking to strengthen and reinvigorate the League of Nations as an instrument of international co-operation and collective security". It would "unhesitatingly maintain such armed forces as are necessary to defend our country as a member of the British Commonwealth and of the League of Nations". The all-party support for rearmament continues to be, indeed, one of the most remarkable features of British politics to-day.

### III. STRIKES

RISING internal prosperity, partly induced by rearmament expenditure, has brought about a wave of strikes. In part of the Nottinghamshire coal industry there has been a long-drawn-out and bitter dispute, of the same kind as faced South Wales a few months ago, over the question which union should represent the men. The non-political unions led by Mr. George Spencer gained their greatest hold during the depression in the Midland coalfields, and the Miners Federation is making a determined attempt to recover its former unchallenged position. In Glasgow a serious dispute arose over the conditions of employment of apprentices in the engineering and ship-building trades. The apprentices began a strike on their own, and were supported—even to the point of a one-day demonstration strike—by branches of the union concerned. The strike ended with the recognition in principle of the strikers' demands. In the same city a strike of 1,500 engineers employed at Messrs. Beardmore's Parkhead forge has already lasted for six weeks. It arose out of a demand for higher wages, but developed into a struggle over the question whether terms should be made directly with the firm or with the employers' federation.

The strikes that have come home most closely to the general public have been those in the passenger transport industries. A series of district strikes for better

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conditions on the country bus services was followed, on May 1, by a complete stoppage of all London's buses. The men demanded the institution of a 7½-hour day, in place of the 8-hour day previously ruling. The London Passenger Transport Board replied that the average time spent daily in actual driving or conducting of buses was only 6 hours and 4 minutes, and only a little over 7 hours including allowances for signing on and off, and for standing and other incidental duties. They alleged that the demand for a working day of half-an-hour less would cost roughly £650,000 a year, even if applied to the central busmen alone; if applied to all members of the Board's staff, the total extra cost would be £1,500,000 a year. They claimed that, during the three years in which the Board had been in control of London's transport, concessions had been made to the workers on all sections—railways, trams and buses—involving the expenditure of £1,150,000 per annum. On the other hand, Mr. Ernest Bevin, the general secretary of the Transport and General Workers Union, who is perhaps the most outstanding trade union leader in the country, alleged that the cost of shorter hours had been greatly over-estimated, and that the speeding-up which had already been applied had caused the men gravely increased strain and sickness.

Answering the critics among the general public who viewed a strike at such a moment as an attempt to make capital out of the coronation, he said that the negotiations for a shorter working day had been proceeding for two years. It so happened that they came to a head in March, and the men had simply given the statutory month's notice of termination of their agreement as soon as they learnt that the Board's decision to exclude the question of hours from the discussions was final. Direct contacts having broken down, the Government appointed a board of enquiry, which reported on May 6. Its three members held that certain of the schedules of work operated somewhat onerously upon the men, but the parties were in any

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case agreed that all points of difference except the claim for a 7½-hour day could be settled by negotiation. Concerning that claim, which was based fundamentally on grounds of injury to health, the evidence placed before the enquiry board had been inconclusive. Nevertheless, they were of opinion that a *prima facie* case had been made out for further investigation forthwith by a properly qualified and specially constituted body. Although there were hints that the central trade union leaders were willing to accept a temporary settlement on these lines, the branches voted to hold out for the immediate concession of a shorter working day, and the bus strike continued over coronation week. This may have been a blessing in disguise, as far as central London was concerned, since even with no buses running many streets were virtually impassable, owing to the press of visitors on foot and in cars or taxis.

The prevalence of strikes gave Mr. Baldwin the opportunity for a memorable speech which both he and his audience realised was probably the last he would make in the House of Commons. Knowing, he said, that his time was short there now, he felt he would like once more to say something about the things he had tried to stand for. We ought all to bear in mind—and this had a relevance to all industrial disputes—that democracy was probably the most difficult form of government that had ever been devised, and he doubted whether it had ever been achieved in its fullness in any country in the world. An autocracy was a very easy form of government, because under it we all had to do what we were told, which meant that we were saved the trouble of thinking. Under a democracy, every individual in some degree or another had to do his own thinking, and on whether he thought rightly or wrongly the whole success or failure of that democracy would rest. In our modern civilisation, just as war had been changed from being a struggle between professional armies, with the civilians comparatively uninterested in it, so the weapons of industrial warfare had changed from

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weapons that affected comparatively small localised bodies of men to weapons that affected directly men who had no concern whatever with the issues, except perhaps a natural sympathy with their own class. Did not that show, just as the danger of the modern world showed internationally, that the one thing we must pray for, not only in our statesmen, but also in our leaders of trade unions and in the masters, was wisdom?

He was going to make a last appeal in the House, and it was an appeal to that little handful of men who could decide whether it was going to be peace or strife. There was to-day, said Mr. Baldwin, a feeling in totalitarian countries of contempt for democracy, as a decadent system under which there was no order, industrial trouble was endemic, and the people could never keep to a fixed purpose. There was also in the world a far different feeling, a feeling of admiration for the way in which Great Britain had come through the economic blizzard and was progressing with so little industrial strife. That indeed was the greatest testimony that democracy was rightly functioning: that her children could see her through difficulties, some of which were very real, and could settle them—a far harder thing than to fight. Mr. Baldwin concluded:

In the Abbey on this day week our young King and Queen, who were called suddenly and unexpectedly to the most tremendous position on earth, will kneel and dedicate themselves in the service of their people, a service which can only be ended by death. I appeal to that handful of men with whom rests peace or war to give the best present to the country that could be given at that moment, to do the one thing which would rejoice the hearts of all the people who love this country; that is, to rend and dissipate this dark cloud which has gathered over us, and show the people of the world that this democracy can still at least practise the arts of peace in a world of strife.

The Prime Minister could scarcely have written himself a finer parliamentary epitaph.

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### I. THE BUDGET

THE second session of the eighteenth Federal Parliament of Canada, which ended on April 10, was not only the shortest in recent years, but also the tamest in the memory of veteran observers. Its shortness was due to the Government's desire to bring it to an end by the middle of April in order that the delegations representing the Cabinet and both Houses of Parliament at the Coronation might be able to sail with care-free minds before the end of that month. For this reason it kept its legislative programme within very modest dimensions and free from measures likely to breed prolonged controversy. As a consequence the proceedings of Parliament were marked by an unwonted harmony, which, if conducive to the rapid despatch of business, made them exceedingly dull.

For so brief a session the output of legislation was not inconsiderable. It included Bills establishing the projected trans-Canada air service, preventing the enlistment of Canadian citizens in foreign armies, controlling the traffic in munitions and materials of war (including food-stuffs), providing pensions for the blind on reaching the age of 40, cancelling the effects of the "gold clause" in Canadian bond contracts and agreements, remodelling the capital structure of the Canadian National Railway system, and strengthening the Combines Investigation Act and transferring its administration from the Trade and Industry Commission, whose personnel is identical with that of the Tariff Board, to the Department of Labour. The Government, however, secured passage of the last two measures only after it had consented to amendments insisted upon

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by the Conservative majority in the Senate. A demand that the annual accounts of the Canadian National Railway system should always carry a statement of the amount of public money invested in it was met by an agreement to append to the balance sheet every year a footnote reading :

The proprietors' equity is disclosed in the net debt of Canada and in the historical record of government assistance to railways as shown in the public accounts of Canada.

As regards the amended Combines Investigation Act, Ministers had to concede certain restraints upon the inquisitorial powers they were seeking for the Commissioner, who will administer the statute.

By these concessions they saved these two measures from the fate of their Transportation Bill, which aimed at reorganising the regulatory machinery for transportation in Canada. Introduced in the Senate, it had the approval of the railways with reservations, but it was unpalatable to certain provincial Governments and various commercial interests. Senator Meighen, the Conservative leader in the Upper House, after reiterating his view that the Senate as a nominated body had no right to challenge the will of the elected House upon measures for which an electoral mandate had been given, declared that, although the objects of the Bill were admirable, the methods proposed were unsound and the passage of the measure was not in the national interest. In following his advice and rejecting the Bill the Conservative Senators were backed by two Liberals, and under the circumstances the Government did not feel justified in challenging the verdict.

The longest debate of the session was provided by the budget, which was submitted in February and included the tariff changes involved in the revised Anglo-Canadian trade agreement. Mr. Dunning, the Minister of Finance, had a much more cheerful tale to tell than a year ago. Estimating aggregate revenue for 1936-37 at \$452,123,000, and aggregate expenditure at \$539,518,000, he was able to show that the forecast of a deficit of \$100 million made in

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his previous budget speech had been too pessimistic by \$12½ million. He was unable, however, to promise any relief for the taxpayers, and the only changes in taxation consisted in some adjustments in the lists of exemptions from sales tax. But he held out roseate hopes for a progressive improvement of the national finances. Forecasting for the fiscal year 1937-38 a revenue yield of \$48½ million and an aggregate expenditure of \$520 million, he predicted the reduction of the deficit to \$35 million, and, if the process of economic recovery was not checked, its complete elimination in the following year.

In a comprehensive survey of the Dominion's economic situation, Mr. Dunning explained the underlying motives of the Government's fiscal and monetary policies. He warned the House that a growing tendency to hectic speculation should be curbed, and that it might be necessary in the national interest to call a halt to the policy of "easy money", which under the combined encouragement of the Government and the Bank of Canada had made a great contribution, he said, to the restoration of reasonable prosperity. The Opposition's chief criticism of the budget was that the maintenance of the sales tax at the high level of 8 per cent. imposed a strain upon Canadian business which it could not bear indefinitely.

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THE tariff changes of the new Anglo-Canadian trade agreement covered a wide range of commodities, but the reduction of duties involved was, generally speaking, much smaller than had been expected, most of the cuts being only of the order of 5 or 2½ per cent. Ministers were thus able to claim that they had been very successful bargainers, having secured the retention of Canada's valuable preferential privileges in the British market without any excessive sacrifice of Canadian manufacturing interests. They were also able to show that from a Liberal standpoint



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the new treaty was a great improvement upon the pact of 1932, inasmuch as it sought to deepen the channels of trade by a net lowering of tariffs, and that by reducing the number of preferences which Canada was pledged to maintain at no less than their present level they had acquired freer scope for bargaining about trade with foreign countries, especially the United States. They had to face, however, some sharp criticisms from their western supporters, who were disappointed with the meagreness of the tariff cuts and thought that the textile and other manufacturers had been left with too much protection.

In his observations upon the treaty Mr. Bennett gave his party a very temperate lead which they obediently followed. Arguing that in its fundamental features the new treaty was simply a replica of the old, with the verbiage of its more important clauses skilfully altered by versatile draftsmen but their purport left unchanged, he pressed home charges of inconsistency and hypocrisy against the Government. In support of them he was able to quote chapter and verse from the speeches of Mr. Mackenzie King and his colleagues, in which they had condemned as unsound or dangerous provisions of the 1932 agreement that now received their approval. On details he directed his chief criticism against the alleged hardships inflicted upon the textile industries of Canada by the lowered duties on their products, against the defects in the arrangement whereby the Canadian Government will check the dumping of Canadian goods in Great Britain, and against the failure to take measures to frustrate certain trade cartels which seem to regard the Canadian preferences as a subsidy to themselves, allowing the consumers to derive little benefit. He found Mr. Dunning in complete agreement upon the need for checking activities that serve only to bring the whole preferential system into disfavour in Canada.

Mr. Bennett and Mr. Dunning, moreover, concurred in the view that owing to the sharper rise in the British price level than in the Canadian the competitive position of

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British exporters in the Canadian market will not be immediately improved by the treaty. The Conservatives voted for the treaty along with the other parties. Their amendment to the budget deploring the inadequacy of the Government's unemployment policy, though supported by the two Left groups, was defeated by 145 votes to 47.

### III. CONSTITUTIONAL REFORM

ANOTHER issue that came into high relief during the session was the reform of the constitution. Its urgency was forced upon Parliament by a series of decisions of the Judicial Committee of the Privy Council, which, confirming in the main earlier judgments of the Supreme Court of Canada, pronounced invalid a group of social and industrial reform measures passed by the late Conservative Ministry. One result of these decisions is to make virtually impossible a national scheme of unemployment insurance, to which all parties are pledged. It appeared that without amendments of the constitution the pace of industrial and social reform must be slowed down to the rate acceptable to the most reactionary of the provinces. Successive debates on the constitutional problem, which were conducted on an admirable level, disclosed a consensus of opinion among all parties that the task of reform brooked no further delay. One of them produced a very bitter attack by Mr. Cahan, a former Conservative Secretary of State, upon the Judicial Committee of the Privy Council, which he charged with grave responsibility for Canada's constitutional difficulties and confusions.

In spite of agreement on objectives, there were sharp divergences of opinion about the best methods of procedure towards reform. Mr. Bennett and some Liberals took the view that the Federal Parliament had the power to secure constitutional reforms by its own initiative, and pleaded for the immediate summoning of a constitutional conference to work out the necessary amendments. Mr.

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Lapointe and other Ministers, however, holding that the endorsement of the provinces was necessary for any constitutional changes, were doubtful of securing the acquiescence of certain provinces in a constitutional conference. They felt that as a preliminary step there should be further Dominion-provincial conferences on the subject. The Government has nevertheless decided that it must make some move, and has committed itself to the appointment of a Royal Commission which will investigate the financial and tax structure of Canada and recommend such re-allocation of sources of revenue and administrative responsibilities as it may find desirable. The report of this Commission should provide a basis for plans of constitutional reform.

### IV. THE SESSION IN RETROSPECT

**D**URING the session no new parliamentary reputations were made. Mr. Mackenzie King was content to reserve his interventions in debate to a few important issues like the question of constitutional reform and the defence programme. The main burden of upholding the Ministerial case on the budget, the Anglo-Canadian agreement, and all matters relating to financial and economic policy was left to Mr. Dunning, who showed his usual skill and versatility in presenting it and answering criticisms. But as the session progressed the attitude of the Minister of Finance on tariff matters and other questions fanned suspicions, which for some time past have been lurking in the minds of the more radical element in the Liberal party, that the formerly progressive-minded paladin of the Western grain-growers had been contaminated by his associations between 1930 and 1935, when he was out of Parliament and was engaged in business in Montreal; that he had exchanged his old reforming fervour for a thoroughly conservative viewpoint, which was primarily concerned with the fortunes of the industrial and commercial interests of eastern Canada.

## THE SESSION IN RETROSPECT

In the closing days of the session this feeling of disquiet about Mr. Dunning was expressed in an open revolt of a group of low-tariff Liberals against upward changes in the tariff designed to benefit the Canadian manufacturers of furniture and hats. Mr. Dunning was supported by the bulk of the party, and the tariff changes were endorsed, but the discussion revealed a sharp cleavage of opinion within the Liberal party on the tariff issue, and left the impression that, in the event of the retirement of Mr. Mackenzie King, Mr. Dunning would not, as seemed probable a year ago, have an undisputed claim to succession to the Liberal leadership. Of the younger Ministers, Mr. Ian Mackenzie handled the delicate problem of the defence estimates with a combination of firmness and tact, and Mr. Ilsley, the Minister of National Revenue, added to his parliamentary prestige.

The Conservatives, in Opposition, signally lacked the wealth of debating talent necessary to make good their numerical weakness. Yet their leader, Mr. R. B. Bennett, remained the outstanding personality in the Commons, and by reason of his facility of speech, his prodigious memory and his wide experience of politics, finance and business, he constituted by himself an effective and useful Opposition.

Throughout the session, without for a moment failing to mete out vigilant criticism of the Government's Bills and estimates, he was never factious, and by his constructive suggestions made a valuable contribution to the results of the session. On such problems as defence policy and constitutional reform, he took the broad view that national interests must come before party considerations, and for his co-operation in the speedy despatch of business he received the cordial thanks of the Premier. He emerged from the session with his prestige as a parliamentarian and statesman higher than ever before, and as a result there is widespread regret, even among his political opponents, at intimations of his impending retirement from active politics. It is apparently his intention, after he

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returns from Europe in June, to summon a meeting of the Conservative members of the Commons and Senate and submit his resignation as leader, but the impression prevails that the Conservative party, when it comes to examine the merits and qualifications of possible successors, will decide that none of them is adequate for the task, and will bring pressure to bear upon him to remain at his post for a few years.

In his 67th year, Mr. Bennett is still in the prime of his powers, and his retention of the Conservative leadership would be peculiarly desirable in view of the effective contribution he could make to the solution of the problem of constitutional reform. If, however, he were to insist upon retiring, the claims of Senator Meighen, Dr. Manion and Mr. W. D. Herridge would probably receive chief consideration. But Senator Meighen is incarcerated in the Senate, Dr. Manion as a Catholic would not command favour with the extreme Protestant elements of the party, and Mr. Herridge, who has been keeping himself in the public eye by a series of public speeches, would be unacceptable to the financial and industrial magnates in the Conservative party. He has consistently proclaimed his conviction that there can be no permanent prosperity for Canada under the present economic system, and has advocated a system of national "planning".

Of the two Left groups in the Commons, the Social Creditors, 18 strong, could make no serious contributions to normal debates, and bored the House by their intermittent and vague expositions of the wonders that the adoption of Social Credit would work for Canada. The tiny C.C.F. group, on the other hand, although only seven in number, were effective critics of the Government on unemployment policy and other matters, and in Mr. Woodsworth and Mr. Coldwell they had two of the best parliamentarians in the House.

Canada,

April 1937.

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# AUSTRALIA

## I. THE REFERENDUM

ON March 6 the Australian people voted by referendum on the proposed amendment of the Commonwealth constitution to increase the powers of the Federal Parliament in respect of marketing and aviation. Both referendums were defeated.\*

The circumstances that led to the proposals to alter the constitution have been set forth in previous numbers of THE ROUND TABLE † and need not be repeated here. The marketing amendment almost monopolised public attention, and the fate of the aviation proposal was probably determined by its unequal yoking with its unhappily chosen team-mate.

The following figures show the result of the voting :—

| <i>Aviation</i> |           | <i>Marketing</i> |           |
|-----------------|-----------|------------------|-----------|
| Yes . . .       | 1,924,946 | Yes . . .        | 1,259,808 |
| No . . .        | 1,669,062 | No . . .         | 2,214,388 |
| Informal .      | 150,355   | Informal .       | 270,167   |
| Majority for    | 255,884   | Majority against | 954,580   |

The marketing amendment was rejected in every state, and in all but Victoria the negative vote was overwhelming. In every state there were more affirmative votes for the aviation amendment than there were for the marketing amendment, but only in Victoria and Queensland were

\* Section 128 of the Commonwealth constitution provides that proposals to amend the constitution must be passed by the Federal Parliament and then submitted to the electors by referendum. They become law if they are approved (a) by a majority of the votes cast, and (b) by a majority of voters in a majority of states.

† See No. 105, December 1936, pp. 194-206 (marketing); and No. 106, March 1937, pp. 428-429 (aviation).

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there majorities in favour of the aviation proposal, which was consequently defeated.

In Queensland, where the electors were strikingly discriminating in their attitude towards the two proposals, the count furnishes a striking proof of hostility to the marketing proposals by electors who were prepared to grant the Commonwealth full control of aviation. Every one of the ten Queensland electorates gave aviation a comfortable affirmative majority. Nine rejected marketing emphatically, and in the tenth—Wide Bay—the voting was close. The figures for Brisbane were the most decisive. There, aviation obtained a "yes" majority of 10,194, marketing a "no" majority of nearly 22,000. But the rural electorate of Darling Downs told the same story with only slighter emphasis, giving an affirmative majority of over 6,000 for aviation, and a negative majority of almost the same size for marketing. Again the informal vote, which was unusually heavy everywhere, was much larger on the marketing issue.

In the three more populous states—New South Wales, Victoria, and Queensland—the result represented a silent revolt from the guidance of most political leaders and newspapers. The Premiers of the three states, most members of the Opposition (except in New South Wales) and nearly all the daily papers supported both proposals. But the New South Wales section of the Labour party, led by Mr. Lang in the state and Mr. Beazley in the Federal Parliament, advocated a double negative vote. It supported this policy by appeals to prejudice and by threats of disastrous consequences, rather than by any reasoned argument on the undoubtedly difficult issues involved. The simplicity and emphasis of its condemnation of the proposals was no doubt an important factor in their rejection in New South Wales. The Premiers of the three less populous states—South Australia, Western Australia, Tasmania—were energetic opponents of the marketing amendment and had the support of most of their states' newspapers



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and many opposition members. Federal leadership was almost entirely in favour of an affirmative vote. The proposals had passed through Parliament with the complete concurrence of the two parties supporting the Government, and the virtual support of the Opposition (Labour), which dissented formally, on the ground that the proposed marketing amendment did not go far enough. A superficial observer might therefore have predicted a majority for both amendments in the Commonwealth as a whole.

The result, none the less, is easily explained.

First, the people of Australia are conservative unless the sharp pressure of material need or outraged sentiment makes them momentarily radical. The fate of previous proposed amendments to the constitution reinforces this deduction from the common behaviour of man as a political animal. Out of twenty proposed amendments to the constitution, only three have been carried. Two of these were non-contentious. The third—the Financial Agreement of 1928—had far-reaching implications, but these were not understood at the time, and, in the absence of a strong opposition, most electors accepted their leaders' assurances that it was non-contentious. Again, compulsory voting—a speciously democratic measure—strengthened the negative vote. Judging by the polls at elections and referendums before voting was compulsory, it seems that about 25 per cent. of the voters on March 6 went to the booths simply to escape fine.

Citizens were not asked to remove a flaw in the constitution in order that it might be made an efficient instrument of government for all purposes. They were asked to preserve a system of subsidies to the primary producer. Many of them did not know they had given support to such a system in the past. Instead of being regarded as a question whether the Commonwealth Parliament should have power to enact whatever legislation might be desired concerning marketing, the issue tended inevitably to be whether or not marketing schemes were desirable. And

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many people who had no objection to the controlled marketing of dried fruits and butter were fearful of the possible results of an extension of government interference.

Moreover, the precise legal effect of the proposal was not easily understood by the bulk of the electors, who, after all, are not lawyers. The general level of political education of Australians is fairly high. They understand in a broad sense many of the problems that result from the division of legislative powers necessary in a federal system. The marketing amendment, however, proposed to qualify in favour of the Commonwealth the constitutional prohibition against interference with the freedom of trade, commerce and intercourse between the states. It was not easy to determine the precise limits to which this amendment would extend the powers of the Federal Parliament. What interpretation the Court would place on the word "marketing" was not known. There was no live issue. Many people who were ignorant, and more who were uncertain, decided that "safety first" indicated a negative vote.

But lack of knowledge and lack of interest alone do not account for the defeat of the proposal. Many intelligent, well informed and patriotic citizens, who felt that already there is in Australia too much state control of individual enterprise, voted "No". Some influential organisations, among them the Sydney Chamber of Commerce, advocated a "No" vote. And a number of city workers were no doubt influenced by the New South Wales Labour party propaganda, which asserted that the purposes as well as the effect of marketing schemes were to give the Londoner cheaper butter and other commodities at the expense of the Australian consumer—omitting to add for the benefit of the Australian producer. These allegations were supported in the New South Wales Labour press by hints at a sinister imperialist design.

Another factor was the anti-federal attitude that has grown up in the last decade. In all federations it seems

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that there is an ebb and flow between state loyalty and national loyalty. Now the centrifugal, now the centripetal force prevails. The Swiss and American federations have given abundant proof of this. The inconstant nature of man affords a partial explanation, which changing economic conditions supplement.

Between 1901, when the Commonwealth came into being, and 1914, federal sentiment strengthened. Pride in the new nation, Australia, grew, and attachment to a state was regarded as parochialism. War-time necessities gave the Federal Parliament an ample field for legislation and taxation. War-time sentiment created the "digger", the indivisible Australian type, who might hail from Melbourne or Milparinka, but who was indubitably Australian, and knew nothing of local prejudice when he served the Commonwealth in Picardy or Palestine. By 1920 Australia was, materially and spiritually, one nation. Since then, disintegrating (or centrifugal) forces have strengthened. Comfortably occupying taxation fields that were first entered because of war-time needs, the Federal Parliament has, without express design, been forced into the rôle of an arrogant usurper. The financial needs of the states grew while their financial opportunities diminished. After the slump of 1929, the Commonwealth was able to make a relatively rapid recovery, while the states were left waiting for the slow rise in export prices. Though the Federal Government was economical in expenditure and was considerate to the states, it became the practice for irresponsible state politicians and newspapers in the state capitals—which are the only great cities of Australia—to ascribe all ills to the alleged extravagance of the Federal Government.

In the defeat of the referendum anti-Commonwealth sentiment was equalled by anti-Government feeling. The elector who is not bound to the Labour party by class-consciousness has scant opportunity of telling the Federal Government how much he dislikes some of its actions. While Mr. Lyons is respected everywhere, and deservedly

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retains a great measure of personal confidence, some of his Ministers are unpopular. The trade diversion policy, the book censorship, the exclusion of Mrs. Freer, and the unimpressive record of Ministers during the last two years reinforced the opposition, encountered by any referendum proposal, from people who desire to reject it because they distrust or dislike the Government that sponsors it.

The amendment relating to aviation was submitted to the electors along with the marketing amendment simply to save expense. It proposed to insert "air navigation and aircraft" among the subjects in respect of which the Commonwealth Parliament can legislate. It aroused little controversy, and had it not been coupled with the marketing referendum it might have been carried in all states. Not a few voters recorded a double "no" because their mind took a negative turn on what they considered the major issue.

Aviation would almost certainly have been placed under Commonwealth control had the conquest of the air been achieved before the Australian colonies federated. The regrettable failure of technical improvement to synchronise with political planning deprived the Australian constitution of any express provision for control of aviation. As the states exercise all legal power not definitely granted to the Commonwealth, aviation has become primarily a state matter. The Commonwealth, however, has a limited authority over aviation by virtue of three grants of power given primarily for other purposes. First, s. 51 (vi) gives it control of the defence of the Commonwealth. Some control of aviation, more extensively in war than in peace, must fit in there. Secondly, s. 51 (i), possibly affected by s. 92, gives it control of such aircraft as may be engaged in interstate trade and commerce. Thirdly, international air conventions may be enforced by the Commonwealth under s. 51 (xxix)—external affairs. Air traffic may therefore be regulated by the states, subject to some regulation by the Commonwealth, derived from three

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different sources. Here is room for confusion, conflicting rules and litigation. The proposed amendment would have allowed uniformity in the control and regulation of aviation throughout Australia. Its defeat is regrettable.

The argument most used against the proposed amendment was that aviation is a means of transport, with immeasurable potentialities, and that transport is not only an undertaking subject to state regulation, but is mainly a state-owned enterprise. The states of Australia have almost a monopoly of railway and tramway transport and are rapidly acquiring complete ownership of motor-bus transport. The Commonwealth, it was argued, could greatly diminish the value of state-owned transport by encouraging competition by aircraft in the most profitable part of the states' transport business—passenger carriage and parcel transport. This argument, however, probably did not convince many. Those who voted against the aviation amendment probably did so for the most part either because they were predisposed against any increase of federal powers, or because they regarded the two amendments as two measures of one Government any proposals of which they had been taught by irresponsible propaganda to distrust.

### II. THE TRADE SETTLEMENT WITH JAPAN

THE difficulties that arose between Australia and Japan from the "trade diversion" policy put into force by the Commonwealth Government in May 1936 have already been described in two articles in *THE ROUND TABLE*.<sup>\*</sup> The second of these brought the story down to October last, when the Japanese were still refraining from buying wool, wheat, and flour in the Australian market, and each country was still, in effect, prohibiting wide ranges of imports from the other.

<sup>\*</sup> No. 104, September 1936, p. 843; and No. 105, December 1936, p. 206.

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Each appeared to expect that the other's hands would be forced by the facts of the situation: Australia, that the Japanese textile industry would exhaust its supplies of wool; Japan, that Australian growers of wool and wheat, faced with depressed prices, would insist that the Commonwealth Government seek a settlement.

Whatever may have caused the settlement that was reached late in December, it does not seem to have been public pressure on the Commonwealth Government from growers of wool and wheat. Although both industries had been seriously alarmed by the consequences of the Government's action, their leaders, while privately making some strong protests, complied with the Prime Minister's request to refrain from any public criticism that might embarrass the Government in its negotiations. The whole incident, indeed, has had no more remarkable feature than the confidence it has shown that Mr. Lyons enjoys.

The Commonwealth Government was fortunate also in the increased demand for both wool and wheat that showed itself within a few months after the Japanese ceased to buy. Wheat has risen to 5s. (Australian currency) and upwards a bushel, a higher price than at any time since 1930; and by November the price of wool was well above the average of the 1935-36 season. Before setting out the terms of the settlement, it will be convenient to recall the extent of the trade in the commodities that were most affected by the trade diversion policy.

In 1935-36, Australia's imports from Japan totalled about £6,200,000 (values throughout are in Australian pounds), of which rayon piece-goods accounted for £1,750,000, and cotton piece-goods £1,100,000. Australian exports to Japan reached the unprecedented total of £17,600,000, of which £14,600,000 represented wool, and £2,000,000 wheat and flour.

The quantities of piece-goods imported from Japan in the calendar year 1935 were 66 million square yards of rayon

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and 86 million square yards of cotton. During the abortive negotiations in April and May last year, the Commonwealth proposed to reduce the annual quantities to be imported to 30 million square yards of rayon goods and 50 million of cotton goods, with proportionate upward adjustment if Australia's total imports increased. Japan insisted upon retaining 90 per cent. of the rayon figure, with no restriction on cotton piece-goods and no alterations in the duties on these items. Further—and this was a point that had considerable influence in hardening Australian opinion in favour of the Government when Mr. Lyons made it public in his broadcast at the end of June—the Japanese Government in effect told the Commonwealth Government that useful discussions upon the import of textiles could take place only when Australia had given Japan a share of the market for other goods now enjoyed by goods of British origin.

The settlement reached at the end of December is to regulate the trade in raw wool and textiles until June 1938. Discriminatory restrictions on other imports are removed in both countries. During the period of eighteen months Japan is to admit 800,000 bales of Australian wool (that is to say, at the rate of about 530,000 bales a year, which is roughly the amount sold by Australia to Japan in 1934, but 30 per cent. less than in 1935). Australia is to admit 51 million square yards a year of rayon piece-goods and the same quantity of cotton piece-goods. In addition, 18 million square yards a year of calico for making bags will be admitted. Total imports of rayon and cotton from Japan will thus be about 120 million square yards a year, which is roughly the amount imported in 1934, but some 20 per cent. less than in 1935. Substantially lower duties on these products are to be levied in Australia.

Briefly, the settlement may be described as a return to the trade of 1934; but in comparison with the trade of 1935 this means a proportionately much greater loss to Australia in exports of wool than to Japan in exports of



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cotton and rayon.\* If total imports of textiles by Australia are maintained at the figures of 1935, there will be available to Great Britain and competing foreign countries a market for about 160 million square yards of rayon and cotton goods.

Japanese buyers immediately began to operate at the January wool sales in Australia, and wool rose about 13 per cent. above the December prices. In both countries there was a feeling of relief at the settlement. Although the trade diversion policy did not appear to produce in Japan the bad relations that had been feared in Australia—the Japanese have had many experiences of obstacles raised against their trade by other countries, of which the Australian restrictions were by no means the severest—it was felt in Australia that it was unwise to continue to run the risk of active unfriendliness with so near a neighbour. To the Commonwealth Government the settlement was very welcome. It had had undeserved good fortune in the rise in the prices of wool and wheat, but if they had fallen back, and a settlement had still not been reached, it might have had to face an increasingly hostile public opinion at the approaching general election.

### III. WOOL PUBLICITY AND PROSPECTS

ABOUT ten years ago an officer of the Department of Scientific and Industrial Research in London, visiting Australia, drew attention to the possibility of future competition with wool from fibres produced by chemists. That had already been the fate of another important textile product, natural silk. In recent years artificial silk, or rayon, has made great inroads into the market for natural silk, and to a smaller extent into that for cotton. It

\* During the six months July to December 1936, for the greater part of which each country's restrictions were in operation, Australian exports to Japan amounted to a little more than £500,000 compared with over £8,000,000 in the same period of 1935; whereas Japanese exports to Australia dropped only from £3,300,000 to £3,100,000.

## WOOL PUBLICITY AND PROSPECTS

has now also become clear that the growing production of staple fibre may affect the consumption of wool.

Chemically, staple fibre is much the same as rayon, both being made from wood pulp. The cellulose in the wood is dissolved, the solution being forced through minute holes or spinnerets, and forming as it solidifies tiny smooth-faced filaments. As these come from the spinnerets the filaments are twisted into threads, and the threads in turn are spun into a filament yarn, which is finally woven into the artificial silk or rayon materials. During the world war, the process was developed in Germany under the trade name now known as "Vistra", which is practically the same as what is called "staple fibre" in England. The process for staple fibre is only slightly different from that for rayon.

Fabrics made of staple fibre wear reasonably well, and are pliable and soft. The yarn has a soft glowing lustre and takes dyes well. It also imparts softness and good draping qualities to fabrics. However, staple fibre yarn is not as elastic as wool; for the molecular structure of wool is quite different from that of cellulose, and gives it warmth and elasticity.

World production of rayon increased from 190,000,000 lbs in 1925 to about 1,022,000,000 lbs in 1936. The production of staple fibre, little known before 1930 (although it was discovered some fifty years ago), has risen to about 259,500,000 lbs in 1936. The total world production of clean-scoured wool is approximately 1,700,000,000 lbs. While the production of staple fibre is thus still a long way below that of wool, if the former continues its present rate of increase it may soon loom as a serious competitor to Australia's main product. Australia's annual production of wool is approximately 460,000,000 lbs, clean-scoured. It is possible that staple fibre will gradually come to be used in conjunction with wool, thus producing a wider range of materials and mixture of cloths. This, however, may largely depend upon the price of wool and

## AUSTRALIA

the extent to which the complementary use of the two fibres can be developed by research and publicity.

The subject was discussed at the Empire Wool Conference in Melbourne in 1931, when it was agreed that a publicity campaign was desirable; but no organisation on comprehensive lines was undertaken, except for the holding of "Wool Week" campaigns each year in the different states. In England some similar publicity has been carried on, and the wool trade subscribes regularly to research for the purpose of finding new uses for wool. In 1935, representatives of manufacturing interests in Great Britain, in conjunction with certain Australian pastoral interests in London, arranged for an expert to visit Australia to explain to pastoralists the effect of the growing competition of staple fibre.

The mission visited Australia in April 1936, and later that year, at the request of the Australian woolgrowers, the Commonwealth Government passed the Wool Tax Assessment Acts of 1936, which provide for a levy of 6d per bale on all wool produced; the proceeds, which are estimated at about £70,000 per annum, are to be used for wool research and publicity. The Australian Wool Board was constituted to control and administer the funds. This board consists of six members, one from each Australian state nominated by the woolgrowers, and one appointed by the Commonwealth Government.

In South Africa, a compulsory levy had been paid by woolgrowers from 1929 to 1932, when it was temporarily suspended; this levy, which amounted to 1s. per bale of greasy wool, was used for research mainly connected with the improved production of wool. The fund was being administered by the South African Wool Council. In 1936, New Zealand also passed legislation similar to that in Australia, the funds to be administered by the New Zealand Wool Publicity Committee.

A conference was held in Melbourne in January 1937 between delegates from New Zealand and South African

## WOOL PUBLICITY AND PROSPECTS

bodies and the Australian Wool Board, and definite plans were drawn up. It was agreed that a minimum amount of £50,000 per annum would be provided by the three countries to prosecute the research and publicity scheme, the contribution of each to be in proportion to the weight of wool it exports. The plan is to be controlled jointly by the three boards, who have appointed an executive committee; a permanent international secretariat will be stationed in London. It is expected that the wool-growers will have the full co-operation of British wool-manufacturing interests, although up to the present it seems that they have given little assistance. It is possible also that other large wool-exporting countries, such as the Argentine and Uruguay, may later join in the scheme.

Of the two objectives of the campaign, namely, research and publicity, leaders of the wool industry at present tend to emphasise the importance of the former. Much research work into pastoral problems has already been carried out in Australia, New Zealand, and South Africa. On the side of wool manufacture, research work has been carried out for some time by the Wool Industries Research Association at Torridon, Leeds, as well as by a number of leading mills. It is expected that these activities will be extended by subsidies from the new fund.

The publicity section of the work will probably be devoted to the dissemination in wool-consuming countries of scientific facts concerning wool, and the extension of knowledge of new processes, fabrics, and other discoveries resulting from research work. That a well-managed plan of publicity can stimulate consumption is shown by the success of the wool publicity campaign in the United States in 1934 and 1935, although it is probable that, since the latter year, the improved demand for wool has been partly due to general economic improvement.

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### IV. THE AEROPLANE CONTROVERSY

THE Federal Government has ordered forty American (N.A. 16) aeroplanes from the Melbourne factory of the Commonwealth Aircraft Corporation Proprietary Ltd. This company came into existence with government backing following on the decision to build aircraft for defence in Australia. Certain existing companies united to finance it. These included the Broken Hill Proprietary Ltd., Broken Hill Associated Smelters Ltd., and General Motors Holdens Ltd., the last named being connected with a United States undertaking. The decision to use American designs was made on the recommendation of the Air Council, advised by experts. The Prime Minister has stated that the adoption of the N.A. 16 was "an interim step" and that the manufacture of a modern British twin-engined type would be undertaken next. The Government had intended to use British designs, but when the time arrived for initial manufacture by the new company there was not available a British type suitable for the requirements both of the air force and of the manufacturers.

Criticism has flowed freely. The responsibility for the inclusion of American capital in the Commonwealth Aircraft Corporation has been laid at the door of the Government, without whose guaranteed order the company could not have been formed.

The two most telling points made against the Government are that Empire air equipment should be interchangeable, and that the building company should be all-British in order that the Imperial Government may be "willing to place secrets" in its hands. The first point seems incontrovertible, though the advantage to Australia of equipment easily replaced from the United States is not negligible. The second will not bear closer scrutiny. The British Government has announced that it will make available to the Commonwealth secret information relating to aircraft development without any stipulation. Whatever

## NORTHERN TERRITORY ADMINISTRATION

methods are used by Governments to safeguard secret designs or principles of construction, the scrutiny of the share-lists of manufacturing companies is not among them.

The main concern of the public has been to understand the motive of the Government. While most people would prefer a British-built air service, there is no general prejudice against American aeroplanes. Indeed an impression prevails that, as American conditions resemble ours more closely than do British conditions, American planes might perhaps be more satisfactory. The late Sir Charles Kingsford Smith always preferred an American machine. It is possible that the Government acted hurriedly and without the best advice. None the less the Prime Minister's statement that quick action was vital, and that this necessitated securing the services of the particular company selected and the adoption of an American design, is generally accepted.

### V. THE NORTHERN TERRITORY ADMINISTRATION

PUBLIC attention has been directed to the Northern Territory by the appointment of Mr. C. L. A. Abbott, member for Gwydir in the House of Representatives, to the position of Administrator. A lively stream of newspaper criticism was directed against the suggested appointee and the Government's alleged policy of drift. A Committee of Inquiry into the resources and possibilities of the Territory has been set up, consisting at present of Mr. W. L. Payne, chairman of the Queensland Land Board, and Mr. Fletcher, a well-known Queensland pastoralist. The third member proposed has not so far been appointed. The Committee will probably investigate and report on the locating of lands suitable for cattle, sheep, and agriculture, the carrying capacity of grazing lands, the area for holding and the system of land tenure necessary to encourage settlement, and the requirements for turning settlers' products to the

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best account, such as transport, meat works, and development of ports.

The appointment of Mr. Payne as chairman of the committee has been generally approved. Mr. Payne has a thorough knowledge of the problems attending land settlement in the Gulf country of Queensland, which adjoins the Territory, and has the confidence both of the Queensland Labour Government and of the pastoralists—a unique recommendation. There is a general disposition to trust the Payne Committee and to hope that the new Administrator, informed and fortified by its report, will open a new page in the development of Northern Australia.

Australia,

April 1937.



## SOUTH AFRICA

### I. THE PARLIAMENTARY SESSION

BY the time these lines are read, the 1937 session of the Union Parliament will have passed into history—they are being written with something like a month's work still to be done. From the point of view of the Government, the session will doubtless be regarded, in retrospect, with mixed feelings. The legislative output promises to be considerable, much of it moreover of real value; yet it cannot be denied that there has been a good deal of disunity and disgruntlement in the ranks of the Government's supporters—even in the Government itself.

Some of the legislation—that of most value—has been non-contentious. General Smuts has been responsible for a very useful new Companies Act. A Children's Bill—a new charter for the children of the Union—has been passed. An unemployment insurance measure has for the first time been enacted by the Union Parliament. The laws regulating industrial relations—the Industrial Conciliation Act and the Wage Act—have been revised and considerably improved. Other measures have proved to be more contentious, and the disputes have sometimes been within the ranks of Government supporters, though they have been more or less skilfully concealed or bridged over. The Aliens Act represented a fairly successful compromise between the liberal and the anti-Semitic elements on the Government side. The Marketing Act at times threatened to cause a split between its town and country supporters. The Abdication and Coronation Oath Acts gave rise to a good deal of uneasiness among those who felt that they raised issues that might well have been avoided, while the

## SOUTH AFRICA

King Charles's head of South African politics, the divisibility of the Crown, was frequently brought into the controversy. Each of these measures will be dealt with later in this section.

Even more uneasiness has been caused on the Government side by the cleavage of opinion, which at times became very patent, on questions affecting the relations between South Africans of different races and colours. Both in the Government and in the United party there are quite obviously a liberal and a reactionary wing on these matters, and the differences have been skilfully exploited by the Nationalist Opposition, which has found the appeal to colour prejudice one of the most effective weapons in its armoury. As a result, private members of the United party were led to introduce three provocative Bills dealing with marriages between Europeans on the one hand and Asiatics and natives on the other, with the employment of Europeans by Asiatics, and with the further restriction of the rights of Asiatics to own land. For a time the attitude of the Government was by no means clear on these matters—some of its members expressed their sympathy, in the House or outside: others quite unequivocally indicated their opposition. Eventually, however, the Government as a whole faced up to the position, and declared that it would have nothing to do with any of these measures, though not until public opinion in India had been gravely stirred. The upshot of it all was both to show how delicate the relations between those two members of the Commonwealth—India and South Africa—still are, and to reveal the vulnerability of the Government on questions involving colour prejudice and sentiment. It has overcome the present difficulty, but there can be little doubt that further similar difficulties will arise, and they may not prove as easily surmounted.

## THE ALIENS ACT

### II. THE ALIENS ACT

IN the last number of *THE ROUND TABLE*\* a brief reference was made to the growth of anti-Semitism in South Africa. An organisation known as the Greyshirts, drawing its inspiration from Germany, has been active in the country for several years and has met with a good deal of sympathy, especially in the Afrikaner community. Up to the present the Greyshirt movement has not succeeded in becoming quite respectable, and no prominent politician has yet publicly given it his blessing. A brief survey of the Union's immigration policy will, however, show that the anti-Semitic movement has not been without its influence on the practice of political parties.

The first Union Act dealing with immigration was passed in 1913. As far as Europeans (a term which includes Jews) were concerned, the Act laid down the policy of "the open door": that is, it admitted everyone who was neither a criminal nor likely to become a burden on the community. In 1930, as the result of a relatively large immigration (mainly Jewish) from eastern Europe, the Quota Act was piloted through Parliament by Dr. D. F. Malan, the present Nationalist leader, who was at that time Minister of the Interior in General Hertzog's Cabinet. The Act set a limit to the number of immigrants who would be permitted to enter the Union from eastern Europe, but for the rest maintained the open door. Though the Quota Act did not specifically mention the Jews, it could not be denied that it was directed against them, and it was for that reason that General Smuts, the leader of the old South African party, led his reluctant followers into opposition against the Bill.

The Quota Act achieved its purpose. But when the Nazis came into power in Germany a new situation developed. There took place a large exodus of German Jews. European countries bordering on Germany were willing temporarily to accommodate a considerable number

\* No. 106, March 1937, p. 441.

## SOUTH AFRICA

of these homeless refugees, but insisted that the majority of them must re-emigrate. Various organisations came into existence to assist them to do so, and it was found that, apart from Palestine, the regions to which emigration could be most hopefully directed were Russia, the United States, South America, the Middle East, and South Africa. In the other countries of the British Commonwealth, including Great Britain herself, immigration laws closed the door almost entirely to aliens. Under these circumstances there has been a considerable increase in the number of Jewish immigrants into the Union since 1932. In that year, owing to the Quota Act, it had dropped to 676. By 1935 it had risen to 1,059, and in 1936 it stood at 3,344, of whom about 2,500 were German Jews.\* It should be noted that the number of British and Dutch immigrants rose simultaneously from 1,274 in 1932 to 3,614 in 1935.

When it became clear that the Jewish immigration figures were rising, an agitation was set on foot in the country; this reached its culmination during the closing months of 1936. And the leaders of the agitation were not the Greyshirt leaders but those of the Nationalist party. A group of professors of the Afrikaner University of Stellenbosch joined in it. Protest meetings were held in many parts of the country, and the most unfortunate and dangerous feature of these meetings, as well as of Nationalist speeches in the subsequent parliamentary debates, was not the demand for the prohibition of Jewish immigration, but the reasons given for the demand. For those reasons indicted all Jews, citizens of the Union no less than foreigners, and bore a close resemblance to the reasons given by the Nazis for the suppression of the Jews in Germany. As Mr. J. H. Hofmeyr put it in Parliament :

Their coming (*i.e.* that of the German Jews) is not a tragedy. The tragedy is that their coming is used as a means of arousing a spirit of anti-Semitism and of creating a new race-hatred.

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\* The 1936 total was swelled by the premature arrival, under special circumstances, of 500 German Jews. (See THE ROUND TABLE, No. 106, March 1937, p. 441.)

## THE ALIENS ACT

There can be little doubt that the agitation in the country, which did not leave its own supporters unaffected, forced the Government's hand, though Mr. Hofmeyr assured Parliament that the Aliens Bill had been drafted before the agitation reached its culminating stages. This Aliens Bill, which was the Government's reply to the excitement stirred up by the Nationalists, actually passed its first reading before Dr. Malan was given the opportunity of introducing a motion censuring the Government for its neglect in the matter of Jewish immigration. Dr. Malan's motion showed that the Nationalists wanted a law which would, for the first time in the history of this country, specifically name the Jews as prohibited immigrants and debar Jewish aliens \* already here from accepting any paid job without the permission of the Government. The motion was defeated, and Parliament then proceeded to pass the Government's immigration measure.

The Government claims that the Aliens Act has been framed in conformity with the immigration laws of the other States of the British Commonwealth. The Act repeals the Quota Act and gives a Board appointed by the Government an absolute discretion in choosing among would-be immigrants except such as are British subjects *by birth*; it prohibits aliens from changing their occupation during the first three years after their arrival in the Union without the Government's consent; and it forbids anyone to change his name, except where such change is in accordance with well-established custom, unless he has obtained the approval of the Government. Little concern was expressed in Parliament at this extension of bureaucratic interference with what was once prized as the liberty of the subject. The Government congratulated itself on having forestalled a piece of purely racial legislation. Its spokesmen admitted that the new immigration law would be applied primarily against the Jews during the next few years, but they declared that it could, and would, be used

\* An alien requires five years' residence before he can be naturalised.

## SOUTH AFRICA

equally against any other immigrants whose entry was considered prejudicial to the welfare of the Union.

### III. THE MARKETING ACT

THE most freely discussed measure of the session was the Marketing Bill, providing fresh machinery for regulating the marketing of agricultural products. The Bill has now become law, though (like the abortive Bills for prohibiting mixed marriages and the employment of female Europeans by Asiatics) it secured more genuine and wholehearted support from the Nationalist Opposition than from many members of the Government party. The Nationalists—despite their insistence that South Africa must manage its own affairs in its own way to suit its own conditions—have indeed been delighted with this Bill concocted from the more recent legislation of Great Britain, New Zealand, and other countries.

Its main feature is the setting up of a Marketing Council to supervise the preparation and running of "schemes", with the aid—if it cares to call for it—of producers' and consumers' advisory committees. "Schemes" may be initiated for different products and different areas, and must include the setting up of a board to administer a fund financed by a special levy. A scheme may have a number of optional provisions and may give very wide powers indeed to the board, enforced by penal sanctions. Non-European producers will have no voice in any of the schemes, though they will be bound by their provisions.

It says much for the power of abstract reasoning on the part of our members of Parliament that no concrete examples have been discussed, nor has the House been enlightened by any member's showing how the proposed legislation will cover the actual details of any scheme which it is proposed to operate. In the circumstances, it would be idle to prophesy the results of the passage of the Bill. It can only be described as permissive legislation to

## THE ABDICATION AND OATH ACTS

take several steps in the dark, and Mr. Marwick is not alone in his fear that it will provide opportunities for "schemers". We do not even know whether the Department of Agriculture has any schemes up its sleeve.

It is unfortunate that the cleavage of opinion on the Act has come to be regarded as resulting from enmity between town and country; opposition to it is considered as an attack on the farmer. There are many who fear that the Act will so disorganize existing marketing arrangements that price fluctuations will be increased to the detriment of the farmer as well as the consumer. They do not believe the farmer will gain from giving up his freedom and subjecting himself to the onerous rights of search and cross-examination that are to be granted to ensure his compliance with all the schemes for his products. The powers granted to the Minister, the Marketing Council, and the boards under the Act are so wide, however, that it seems unlikely they could ever be fully exercised.

### IV. THE ABDICATION AND OATH ACTS

THE crisis around the Throne has had its repercussions in South Africa in the form of two enactments of the Union Parliament: Act No. 2 of 1937,

To declare the abdication of King Edward VIII and to provide for alterations in the laws relating to the succession to the throne and for purposes connected therewith;

assented to on February 10; and Act No. 7 of 1937,

To provide for an oath by the King as sovereign of the Union; assented to on March 16.

In the protracted debates on these two measures, both the Nationalist and Dominion party Oppositions sought to take advantage of the constitutional issues involved. The former strongly criticised the Government's failure to embody in the legislation an express statement of the fundamental rights implicit in the Union's independent status and of the doctrine of divisibility of the Crown. The



## SOUTH AFRICA

latter deprecated the measures as the latest of a sequence profoundly altering the constitution, and involving a positive declaration of the rights of secession and neutrality and a complete separation of the functions of the King of Great Britain and the King of South Africa. Whilst Dr. Malan, on the one hand, moved an amendment to the Abdication Bill to include a declaration of the right of secession, the Dominion party on the other suggested a series of amendments to the Coronation Oath Bill defining the Royal Title in terms of the Act of Union and providing safeguards against any whittling of the duty of allegiance owed by a Union national. Their respective criticisms largely cancelled out.

The earlier Act is a logical outcome of the Status of the Union Act of 1934, which, proceeding from the Statute of Westminster, bars from effect in the Union any Act of the British Parliament until it is extended thereto by Union legislation. The British Declaration of Abdication Act could not therefore extend *ex proprio vigore* to the Union. On the other hand, the accession of King George VI was automatically operative in the Union by virtue of Section 5 of the Act of 1934, which defines "heirs and successors" as the King's heirs and successors in the sovereignty of the United Kingdom as determined by the laws relating to the succession of the Crown of the United Kingdom. Consequently, legislation in the Union was necessary only to implement the Union Proclamation of Accession of December 12, 1936, by declaring the facts of abdication and succession, and to amend the rules of future succession. The Union Act follows the British Act in substance, if not in form, apart from adopting December 10 as the effective date of abdication and accession, whereas the latter Act received the Royal Assent on December 11. In the interest of uniformity this difference is to be regretted, particularly as the Union choice would appear to be based on a misconception of the English common law. The Union Government seems to have confused an abdication

## THE BUDGET

with a normal demise. Although no legislation is legally necessary in the latter event, the total absence of precedent for a voluntary abdication made it impossible to deem the unilateral declaration of an intention to abdicate effective without the concurrence of the Legislature. The difference of date, however, would appear to be of little or no constitutional significance.

The Coronation Oath Act also is nothing more than a reflection of the constitutional change from Empire to Commonwealth which has taken place since the last coronation. The Act requires an oath to be administered the purport of which shall be that the Monarch will govern the people of the Union . . . according to the statutes agreed on in the Parliament of the Union and according to their other laws and customs and that he will cause law and justice in mercy to be executed in all his judgments.

The Act, however, makes provision for agreement with other members of the Commonwealth upon a collective oath, which has in fact now been accepted by the Union Government. The sole objection of merit to the Act is the omission of any reference to a religious obligation, for which it is difficult to find any precedent in Union legislation.

So far as the British Regency Act \* is concerned, the Union Government has decided that there is no necessity for a Union counterpart. The machinery provided in the Dominions by the office of Governor-General is obviously sufficient to meet all but the most extraordinary circumstances, and in any extreme event resort can always be had to *ad hoc* legislation.

## V. THE BUDGET

MR. HAVENGA has achieved yet another surplus. Last year he seemed to be a little embarrassed by his credit balance, and disposed of much of it as largesse—for instance to civil servants, who were refunded the amounts

\* See THE ROUND TABLE, No. 106, March 1937, p. 257.

## SOUTH AFRICA

previously deducted from their salaries as "depression cuts". This year he has welcomed his surplus with open arms, and he is openly budgetting for a large one in 1937-38.

The revised estimates of revenue collections for 1936-37 amount to £42,550,000, against the original estimate of £37,787,000—an increase of £4,763,000. An excess of the revised over the original estimates is common to most items. Customs and excise have yielded an additional £1,622,000; the post office £457,000; income tax about £1,147,000; and death duties £506,000. Almost the only revenue item to fall notably behind the original estimate is native taxation. The revised estimate is £762,000, against an original estimate of £800,000—perhaps one indication among many of a tendency towards an increasingly unequal distribution of wealth in the Union.

The revised estimate of expenditure from revenue is £37,550,000, a net decrease of £107,026 on the original estimate. The surplus for 1936-37 amounts, then, to approximately £5,000,000. As there are evident signs in the political world of the approach of a general election, there was much speculation regarding what the Minister of Finance would do with still another large surplus to make the most effective political use of it. Mr. Havenga let it be known in advance that he was not going to do anything spectacular; but, in a country where a flair for politics is undoubtedly more common than a flair for finance, it proved difficult for people to take him at his word. There was some astonishment, therefore, when the Minister announced in his budget speech that he was going to utilise his surplus in the first place to repay the £2,849,500 four per-cent. Natal loan which matured this year (a London issue), and to transfer the remainder to the Loan Account.

There can be little doubt of the wisdom of disposing of the surplus in this way—one doubt only, or two at most. Mr. Havenga used very effective arguments against those who saw in his surplus grounds for a great extension of social services. He pointed out that

## THE BUDGET

The decision to grant free services is a decision which involves commitments not only during prosperous years, but for all time. . . . The existence of temporary surpluses is not, by itself, a sufficient reason for undertaking large new permanent commitments. In this connection I would remind hon. members that between 35 and 40 per cent. of our expenditure from revenue funds is devoted to social services, that is to services in respect of which the recipients obtain a direct personal benefit irrespective of their contribution to the revenues of the state. If all the charges for administering these services could be taken into account the percentage would be higher still. In addition considerable sums are spent from loan funds. . . .

He did not specify the amount of loan fund expenditure that should be classified in this way. It would be interesting to discover it; there can be little doubt that its size would be a revelation to most people. The Minister had undoubtedly a strong case for resisting such claims.

He had also strong, if hardly conclusive, arguments against those who favoured drastic reductions of taxation; and the alternative he put forward was to reduce debt and to inaugurate a policy of making large annual transfers from revenue to loan account. The estimates for 1937-38 envisage a further increase of revenue to £43,250,000 and an expenditure of £38,900,000, leaving a surplus of £4,350,000. It is intended to use this surplus to reduce customs duties on petrol, paraffin and transformer oils by 1d a gallon and to make one or two minor reductions in duties, at a cost of £650,000; to abolish urban quit-rents at a cost of £4,000; to devote a further £750,000 to European old age pensioners, as a result of which "5 per cent. of our expenditure on the revenue account will be paid out in cash to 2½ per cent. of our European population, who will also still receive their share of all other services rendered by the state". It was also intended to modify telephone charges at a cost of £67,000, but as many of the beneficiaries looked this gift horse in the mouth and expressed disapproval it seems that the concession will now rest in abeyance. Despite the evident difficulty the natives have in meeting their taxation no reduction is yet in sight

## SOUTH AFRICA

for them, but in future three-fifths instead of two-fifths of the personal tax on natives is to be paid into the Native Development Fund, at an estimated cost of £233,000 to the revenue account in 1937-38.

On the grounds suggested in the last number of THE ROUND TABLE,\* a larger allocation of mining revenue is to be made to the loan account. The extra allocation for 1937-38 is estimated at £300,000 from diamonds (government ownership revenue and the export duty on diamonds) and some £800,000 from gold (mining leases). Mr. Havenga is in addition budgetting for a surplus of about £1,500,000, which will be available either for transfer to loan account or for redemption of debt.

If the Minister's *idée fixe* that no major reductions can now be made in the customs tariff without injury to the country can be justified—perhaps a big “if”—he stands on fairly firm ground. But there is a danger that buoyancy in the loan account, just as much as in the revenue account, may breed extravagance in expenditure. It is not certain that we have altogether escaped the danger. The revised estimate for expenditure from loan funds in 1936-37 is £16,200,000 and the preliminary estimate for 1937-38 is about £18,000,000, against £10,092,716 in 1931-32. Despite the redemptions during the year, including that of the Natal loan, the public debt has increased by £6,000,000, and it will again increase next year. In considering this question it is also relevant to bear in mind the Minister's statement, already quoted, on the destination of much of our expenditure from loan funds as well as from revenue. While Mr. Havenga's allocation of his surplus gives him much credit as a sound and cautious financier, it will not necessarily inhibit state generosity. This studiously humdrum budget may prove to be, wittingly or unwittingly, as good an electioneering budget as could have been devised.

Union of South Africa,

April 1937.

\* No. 106, March 1937, p. 346.

## NEW ZEALAND

WHITHER is New Zealand tending? To "the earthly paradise" that the Prime Minister says he and his colleagues are striving to bring about, or to the financial precipice over which critics say the Labour policy of "tax, borrow, and spend"—as the Opposition leader described it—is fast driving us?

### I. THE ADVANCE OF SOCIALISATION

VARIOUS movements point to a progressive socialisation of New Zealand, as ever-growing state services gradually dominate private enterprise and industry. One of the chief of these movements is the government purchase of dairy produce under the guaranteed price system. In his presidential address to the economics section of the Science Congress at Auckland last January, Professor Hytten of Sydney expressed grave doubts about the success of the scheme and its ultimate effect on the economic structure of the Dominion. He quoted the breakdown, under its own weight, of the Paterson butter-marketing scheme in Australia, and went on to say that, if prices take an upward turn next season, it will require a courageous Government to withhold the higher prices from the producers in order to build up a reserve against possible future losses. The taxpayer views with anxiety the prospect of being raked both fore and aft. At present prices the scheme will result in a heavy loss to the Government which he will have to bear. At the New Zealand Dairy Board's meeting on March 17 numerous remits were adopted, almost all without discussion, to the effect that, when the guaranteed price is renewed

## NEW ZEALAND

at the end of the present season, direct retrospective payments should be made for butter-fat on a scale sufficient to cover the increase in costs of production. The Government was further urged to consider raising the guaranteed prices above their present level for the season 1937-38. It looks as if Professor Hytten's forecast may be realised.

Other movements in the same direction include the fixing of prices—for instance, those of imported oranges—and the appointment of specified vendors, the state acquisition of a private marketing concern (the business of Picot Brothers Ltd.), the purchase by the Government of private transport businesses, the active extension of state lending on mortgage through the State Advances Corporation, the building of houses on a scale that may disorganise the building trade, a large increase in the number of public works employees and civil servants, the organisation of all employees, whether manual or clerical workers, into unions, and the imposition of increased taxation for social services. It is only fair to note, however, that in some respects the Government is simply developing the policy of its predecessors.

A table published by the Associated Chambers of Commerce showing the numbers of those dependent on the state suggests how far socialisation has already proceeded in the Dominion. The table indicates that, over the whole population of New Zealand as at December last, (a) one person in every 8 is dependent on state pensions; (b) one person in every 20 is dependent on state trading enterprises; (c) one person in every 30 is dependent on public works expenditure; (d) one person in every 31 is dependent on unemployment sustenance payments. In sum, one person in every three to four of the population of New Zealand is directly dependent on the state. In these estimates, which do not include the employees of local bodies and their dependants, a conservative allowance of only  $2\frac{1}{2}$  persons to a family has been made.

It is too early to appreciate yet the full effect of the



## FREEZING WORKERS' STRIKE

40-hour week, giving us leisure before we have had the previous training needed for its rational enjoyment. There are signs, however, that the boon was perhaps rather premature and that it has given the Government some anxiety, as well as causing considerable inconvenience to the travelling public and those who serve it, to small businesses and to others which need elasticity and not rigidity.

The high wages paid on public works (approximately £1 a day) and the diversion of many workers to them, combined with the general increase of wages, have caused a definite shortage of competent farm labour, notably of youths in the dairy industry. It has been stated by farmers' associations that there have been more women and children working in the milking-sheds than for some years past. The Minister of Public Works characterises the cry of shortage of labour as mere propaganda, but he has certainly been taking men from public works to meet the farmers' needs. The shortage is admittedly accentuated by the lack of adequate accommodation for farm labourers, especially for married men.

The reduction of the hours of labour, the large increase in wages, and the high taxation have had the natural effect of raising costs of production. This has inevitably implied a rise of prices all round, despite the Prevention of Profiteering Act 1936, which made it an offence to sell goods at a price above that ruling on June 1, 1936. There have been no prosecutions for exploitation of the consumer, and in fact the state coal mines have followed the lead of the privately-owned mines in putting up their prices.

### II. THE FREEZING WORKERS' STRIKE

THE stay-in strike at the freezing works at Westfield, Southdown, and Horotiu in the Auckland district, and at the cool stores at King's Wharf, Auckland, together with the manner in which it was settled, has caused considerable anxiety for the future of our industries. Towards the end of 1936 the Arbitration Court issued an award for

## NEW ZEALAND

freezing workers, the main provisions of which were a 44-hour week, to be worked on  $5\frac{1}{2}$  days, and a minimum wage-rate of 2s. 1d per hour. The workers were dissatisfied, contending that as the 40-hour week was not being applied to the freezing industry they were entitled to compensation through a higher rate of pay. They also objected to the putting of extra men on what is known as the chain system. A go-slow policy, which reduced the output of the works by about 60 per cent., was adopted in December, and, after an abortive conference with the employers, was again put into force. An ultimatum by the managements that if normal work was not resumed the men would be paid off was met by the first stay-in strike in New Zealand. The cessation of work by some 1,500 men who had been handling dairy produce at the cool stores placed in jeopardy butter and cheese valued at £1,250,000 sterling. There was a danger that dairy factories dependent upon freezing works for the storage of their produce would have to cease operations, with serious results to dairy farmers. The meat industry was also imperilled, though to a lesser degree.

The manager of the Auckland Farmer's Freezing Company Limited asked the police to remove the men forcibly, but instructions were given from Wellington to the local police that the men were not to be interfered with as long as they behaved themselves and did not damage property. The conduct of the men was orderly from first to last. The Minister of Labour (Hon. H. T. Armstrong) urged them to resume work, and telegraphed to the Secretary of the Auckland Freezing Workers' Union :

Government is of opinion that in this small country there is only room for one Government, and, if you have decided upon a show-down, we might not be long in deciding just who is to govern.

The employers stood firm upon the observance of the Arbitration Court's award, and declared that, if the Government would not move, the dairy factories and farmers

## FREEZING WORKERS' STRIKE

would of course have to do something. On January 15 the Government took over the dairy produce that had been allocated for shipment from Auckland but had not been lifted on account of the dispute. Mr. Armstrong thereupon hurried to Auckland to try to arrange a settlement. Meanwhile a special meeting of the Longburn branch of the Wellington Freezing Workers' Union had passed a resolution requesting the Government to remove the present Arbitration Court judge, Mr. Justice Page, and to substitute "someone who could be relied on to safeguard the workers' interests", and demanding "an immediate rehearing of the freezing workers award claims".

When Mr. Armstrong faced the strikers he promised to arrange a conference to negotiate for alterations in the award. If, he added, the alterations which the Government thought should be made were not made, the Government would use its legislative power to introduce them. Mr. Armstrong had already given some indication of his attitude towards the Arbitration Court, when he said last September :

When the Arbitration Court has finished its work, say in a year's time, if any industries have been refused the 40-hour week that ought to have received it, that can be remedied by Act of Parliament without reference to the Court. . . . I hope that the Labour movement will soon be well enough organised to take control of industry and determine what hours shall be worked without reference to any Court.

On Mr. Armstrong's assurance, and on condition that a conference of employers and employees would be held at Wellington, the men resumed work and were soon going full speed ahead. The employers, however, would not entertain proposals either for higher pay or for shorter hours. Eventually Mr. Armstrong, holding that the exceptional circumstances existed which alone would justify his intervening, directed that the workers should hold in abeyance until the expiry of their award next June their claims for a shorter working week and for increased piece-work rates,

## NEW ZEALAND

and that as from January 1, 1937, a flat rate bonus of three-pence an hour for all time actually worked, including overtime, should be paid to all hourly workers.

An agreement embodying this increase was signed by representatives of both sides. It began :

The Minister of Labour having directed that the rates of remuneration for hourly workers employed under the terms of the New Zealand Freezing Workers Award be increased, it is hereby agreed that we accede to the Minister's direction. . . .

A *post-hoc* and possibly a *propter-hoc* occurrence has been a notification to suppliers by the Hawkes Bay companies that as from March 1 there will be an additional charge of .025 of a penny per lb on mutton, pork, veal and lamb, .05 of a penny per lb on quarter beef, and a farthing per lb on "feeling" wool, the extra charge covering killing, freezing, and placing f.o.b. Napier.

The general press criticism has been that the Minister has struck at the roots of the arbitration system, and that his action tends to make the Arbitration Court political. It remains to be seen, run the comments, what section of the community will next find a grievance with its conditions of employment and follow the example of the freezing workers, in the hope of being awarded a bonus. Strong protests have been expressed by representatives of farmers' and other employers' unions. The Minister, on the other hand, maintained that he had a precedent for his action in a similar step taken by the Massey Government in 1916, though it could be retorted that this was a necessary war measure.

The Dominion Executive of the New Zealand Farmers' union, at a meeting held in Wellington on February 23, after expressing an emphatic protest against the action of the Government and the Minister, resolved :

(i) That the additional cost involved be met out of the Consolidated Fund or else by payment to the farmers of an increased price to compensate them;

(ii) That the Dominion executive convene a conference of

## HOUSING AND OTHER PROJECTS

representatives of all primary producers' organisations and concerns engaged in the processing of primary produce for export to consider the situation created by the result of the recent illegal strike by the freezing workers in Auckland, and what steps can be taken to meet a future emergency.

Similar protests have been recorded by other representative bodies of primary producers.

### III. HOUSING AND OTHER PROJECTS

THE keenest critic of the Government cannot fairly withhold admiration for the sincerity, the energy, enterprise, courage, and idealism of the Labour Ministers, for their faith in the power of legislation to control the operation of the laws of economics, or for their confidence in the perennial flow from those three springs of finance, the Reserve Bank, the thrifty lender, and the taxpayer. Whatever one may think of the Government's humanitarian policies, it must be recognised that Ministers are actuated by no sordid or political motives, but by a natural philanthropy in which sympathy is apt to stifle economy. They have shown a very active and practical interest in education, scientific research, arts, and literature. Their recognition of poets and authors by honours and pensions has been a new and welcome feature in our political life. No previous Government has a record comparable for breadth of vision, for the magnitude and infinite variety of its schemes, and for rapid translation of ideas into action.

Having provided during the last session for the scaling down of mortgages, and having set commissions to work all over the country adjusting debts, they are now formulating their schemes of national superannuation and health insurance for submission to the next session of Parliament. The Prime Minister has declared that there is no intention of "smashing" existing superannuation institutions. "Those who are contributing to existing funds," he said, "will have the option of coming into the state scheme if they wish to do so, but there will be no compulsion in their

## NEW ZEALAND

case." Other enterprises that the Government is undertaking include the purchase of Flock House station, comprising 8,261 acres, from the trustees of the New Zealand Sheep Farmers' Acknowledgment of Debt to British Seamen Fund. This venture has been established for thirteen years, and over 1,000 boys (mostly sons of British seamen) have been trained there. It is to form an integral part of the educational system of the Dominion, "so that every suitable boy who desires to make a living on the land shall be given an opportunity of receiving a thorough grounding in practical and theoretical farm work before entering into employment".

Still further schemes envisaged include educational reform on a large scale, the reform of the local government system by the amalgamation of redundant local bodies,\* the formation of a bureau of social science to assist the Government in basing their social policy on scientifically established facts, and of a National Sports Council for the better control and co-ordination of the Dominion's sports, the establishment of a Conservatorium of Music and the Spoken Arts in connection with the radio system for the training of New Zealand artists, the erection of many public buildings, the engagement of a highly paid editorial board of three to write the history of the provinces of New Zealand, the improvement of the maternity and district nursing system, the construction of funicular railways for winter sports, and the development of tourist routes and roads. For the present, however, the Government's hands are pretty full with its Bills for Parliament and its housing project.

The latter is the latest big scheme to come into operation and into the fire of the critics. The Minister of Finance, when referring to the power given to the Minister by the Finance Act (No. 2) of 1936 to borrow £5,000,000 for housing purposes, said that "plans were in course of preparation to provide for the construction of 5,000 houses

\* See THE ROUND TABLE, No. 106, March 1937, p. 464.



## HOUSING AND OTHER PROJECTS

at a cost of approximately £3,000,000". Now, however, the Government proposes to spend five millions on houses during the project's first year, including three millions of new money created by the Reserve Bank. Of that total, £3,500,000 is to be spent by the state, the balance being available for lending to local bodies for their own housing projects at 3 per cent. interest. Mr. Nash's calculation seemed to involve a cost of only £600 per house without the land, while the Minister of Labour asserted that the houses would not cost more than £700. Mr. Nash and Mr. Savage anticipated that the cottages would be let to workers for 12s. 6d to 17s. 6d a week.

The Government is actively carrying out its scheme. It requested the New Zealand Institute of Architects to prepare designs for houses varied in character and construction, had quantity schedules prepared by "the most reputable firm of quantity surveyors \* in New Zealand", and called for tenders on the schedule rate system. It has erected joinery works near Wellington and Auckland, and has bought and is buying blocks of land in or near the main centres and in the secondary towns for the erection of groups of houses. It seems to be acquiring the land at reasonable figures. In the first Auckland instalment of the scheme, in the Orakei block, the Government invited tenders for the erection of one group of 91, another of 87, and 34 single houses, thus giving an opportunity for the small builder to tender.

The successful tenderer for the supply of joinery in both the Auckland and the Wellington districts is the Fletcher Construction Company Ltd. It was also the successful tenderer for one of the large groups of houses in the Wellington district, for the groups of 91 and 87 houses and for 30 out of the 34 single houses in the Orakei block, being the lowest tenderer by a substantial margin in each case. It was doubtless with this probable result in view

\* Experts in estimating the quantities of materials used in erecting buildings.



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that the Hutt Valley Master Builders' Association maintained that the whole scheme was designed to play into the hands of monopolistic construction companies. While the Prime Minister has declared that, although he cannot state the exact figures of the contracts, the rents to be charged for the new houses will compare more than favourably with those charged to-day, there has been much criticism of the scheme. As the *Evening Post* (Wellington) pointed out on February 8 :

The cost of the houses has not been stated nor has any information been made available to show how the rental will be calculated, what interest will be paid (if any) on the credit issue, what depreciation allowed and what provision made for loss of rent and other incidentals that the private landlord must face. This information should be given, for the housing is competitive with private enterprise in both building and letting dwellings, and the public should be shown that the competition is fairly based. Otherwise it simply means that public money is being used to undercut the private builder and the private landlord. The latter would then be compelled (through taxation) to bear part of the loss incurred by the State in competing with them.

It has been suggested that the resources of the Dominion in organisation of men and materials are inadequate to cope with operations on such a gigantic scale. Another criticism is that the Government is building at a time of rising costs, caused partly by its own legislative policy and partly by advances in the prices of materials overseas ; it is said that the advantage of mass production is more than offset by the recent increase of building costs by at least 30 per cent.

The *Dominion* (Wellington), an Opposition journal, attacked the scheme in its issue of February 10 as a big step forward in socialisation.

Is the small master builder to be sacrificed to mass production, in the same way as the small joinery manufacturer is threatened by the establishment of State joinery factories ? If so, the policy must be assumed to be general. As it applies to builders so it is likely to be applied also to butchers and bakers and grocers and farmers : the small man will be pushed to one side—

## IMMIGRATION

ultimately pushed out by the ruthlessness of large-scale State-abetted competition. And then, what? An easy step to complete nationalisation. The Government is never tired of calling itself the small man's friend; but when the small man's business stands in the way of socialisation, he will get precious short shrift.

### IV. IMMIGRATION

PERHAPS no subject has occupied so much space in leading articles, lectures, and letters to the newspapers during the past quarter as immigration. The Australian and New Zealand Association for the Advancement of Science, at its congress at Auckland in January, devoted considerable attention to the subject, stress being laid on the difficulties with which large migration schemes were surrounded. Chambers of Commerce have also been discussing it, and the Council of the Auckland Chamber of Commerce recommended an urgent enquiry by the Government.

Several vigorous pamphleteers and public speakers have urged us to "Populate or Perish", and the Hon. W. E. Barnard, Government member for Napier and Speaker of the House of Representatives, concerned for the plight of New Zealand in the future for lack of people, has been touring the country forming branches of a "Five Million Club". The club stands for a carefully planned immigration scheme, involving a considerable measure of government control, with the object of bringing our population up to that number. But Labour in general takes a shorter view and opposes the influx of competitors even though they are also consumers. The attitude of the present Government was thus described by the *Press* (Christchurch):

At the beginning of their term of office, certain members of the Government spoke as though the resumption of assisted migration on a large scale was an immediate possibility. From this attitude they have been steadily retreating; and Mr. Nash's latest utterances on the subject have been profoundly discouraging. One indication of the reasons for this change can be seen in the protest which has been made by the Amalgamated Society of

## NEW ZEALAND

Carpenters and Joiners against the attempt to enrol carpenters and joiners in England for work in New Zealand. It is obvious that if the Government's migration policy is to be dictated by the unions, it will continue to be a policy of pious aspirations.

This comment was borne out by the Prime Minister's declaration on January 26 :

The real secret of success in immigration is to make a country so prosperous that people want to come out in order to share its prosperity. When conditions are right in New Zealand people will not hesitate to come out and bring new capital with them, whether the sum be large or small.

### V. DEFENCE

SO far as defence is concerned the Government is pinning its faith to protection by air. As a result of the first report from Wing-Commander the Hon. R. A. Cochrane (lent to New Zealand by the United Kingdom Government) his engagement has been extended for two years; during that time he is to undertake the reorganisation of the air force of the Dominion and to make a comprehensive survey of the system of military aviation in New Zealand, with a view to the early development of air defence on the best possible lines.

On March 16 the Minister of Defence released an important account of the lines upon which the development of our air force will take place. An Air Board, on which civil aviation will be represented, will be set up to control the Royal New Zealand Air Force and to co-ordinate matters common to service and civil flying. The necessary legislative powers will be sought during the coming session. An air force headquarters will be formed in Wellington on April 1 and the names of officers filling the chief appointments will be announced shortly. The programme contemplates the formation of two operational squadrons, equipped with the latest type of aircraft. Surveys of suitable localities are proceeding for new defence aerodromes, which will take from 18 months to 2 years to

## DEFENCE

complete. Hobsonville, near Auckland, will be organised and enlarged as required as a repair centre. Wigram, near Christchurch, will be developed as a flying school for the training of pilots; concentrated attention is being given to the formation of this school in order that the first course may be started in May and approximately 50 pilots a year trained.

Apart from the permanent and territorial units of the Royal New Zealand Air Force, it is proposed to build up a reserve of trained pilots, who will be obtained from two sources: first, from amongst those who have already completed a short service commission in one of the air forces of the Empire, and, secondly, by the direct enlistment and training in New Zealand of personnel with no previous flying experience. Suitable candidates will be given an eight months' course of flying training and will then pass direct to the reserve, where their only liability in peace time will be a fortnight's refresher training each year. The reserve will provide a pool of pilots capable, in the event of attack, of taking their places in air force units, and a source of recruitment for the growing needs of civil aviation.

Short-service commissions are offered in the Royal Air Force and the Royal New Zealand air force. By an agreement with the British Air Ministry, a number of short-service commissions in the Royal Air Force—for the present to be limited to 40 a year—will be offered to New Zealand candidates. The length of the commission is at present fixed at four years, including the initial period under training. Two methods of entry will be available. Under the first, candidates will be selected in New Zealand and their passages paid to the United Kingdom, where they will report to the Air Ministry and be posted to a suitable unit for training. In the second scheme, candidates will be selected and also trained in the Dominion, and will then be given passages to the United Kingdom, where they will join a Royal Air Force squadron. These two schemes

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will in future provide the only means by which New Zealand applicants can join the Royal Air Force. A request for applications to fill 20 vacancies under these two schemes will shortly be issued.

The 70 additional pilots required by the Royal New Zealand Air Force during the next two years will be obtained partly from those who have completed a short-service commission in the Royal Air Force, partly from candidates who will be entered direct from civil life and trained at Wigram, and partly by selection from within the ranks of the Royal New Zealand Air Force. Commissions will normally be offered for a limited period, with the dual object of building up a reserve for service and civil aviation, and of ensuring that those officers who are awarded permanent commissions can be offered a career which provides adequate prospects of promotion. It is intended that permanent commissions shall be offered to selected officers who have completed a short-service commission, but exceptions may be made where specialist qualifications are required.

A scheme is being formulated in consultation with the aero clubs for the formation of a civil reserve of pilots. The skilled mechanics required for the scheme will be trained either in the Dominion or, if no facilities exist here, in the United Kingdom or Australia. There are to be sections for wireless operators and for air gunners. The full scheme will require three years for its completion.

In an interview the Minister of Defence stated it was very likely that New Zealand would take full advantage of the Commonwealth Government's plans for the modernisation of Australian munition factories. New Zealand would probably buy aeroplanes from Australia, when the Commonwealth was in a position to supply her, if Great Britain could not fill her orders.

Major-General Sir Andrew Russell, who was the general officer commanding the New Zealand Division on the

## DEFENCE

Western front, speaking recently to the Napier Rotary Club, described New Zealand as the weakest link in the imperial chain. He considered that the country should be equipped with an air force sufficient to deal with raids, and that in addition about 500 highly trained pilots should be at the disposal of the imperial defence authorities. We should be prepared, he said, to send an expeditionary force of between 3,000 and 4,000 men and a number of mounted men in the case of trouble in the Near East, for instance over Palestine; if the Mediterranean were closed, they would be able to enter by the back door. But the Government, judged by its present attitude, is not likely to provide for the necessary specialised training of our territorial force, "of which to-day there remains but a skeleton" and which cannot be improvised.

A deputation from the National Peace Council asked the Prime Minister for the repeal of the compulsory service clauses on the statute book. They are now in abeyance and relate only to training and to service in the territorials or militia—it is specially provided that no territorial shall be sent out of New Zealand without his consent. In his reply Mr. Savage showed himself both an idealist and an optimist. He expressed his hope "that the days of war are over and that a real civilisation is near". New Zealand's peace proposals, he said, which had been described as the most statesmanlike ever placed before the League of Nations, would be discussed at the Imperial Conference. The peoples of the earth, were a vote taken, would be overwhelmingly against war, but they were in danger of being pushed into it. Mr. Savage said that the Government was opposed to conscription in all its forms, and he was looking forward to raising the physical qualities of young men and women in other ways than by compulsory military training. When national superannuation and health services had been attended to we could, he said, "consider other matters. We want to put our people in possession of a country which they will *defend automatically*,

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but at the same time we are working towards peace". It is to be hoped Mr. Savage will return from the Imperial Conference with a keener realisation of the dangers the Empire has to face, and of the necessity for something more than "automatic" defence.

New Zealand,  
March 1937.



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